

Minutes for January 25, 1966.

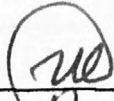


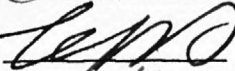

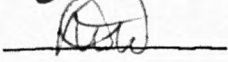
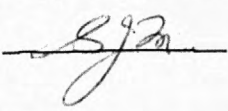
To: Members of the Board

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 Tuesday, January 25, 1966. 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. Daane
 Mr. Maisel

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Broida, Assistant Secretary
 Mr. Young, Senior Adviser to the Board and
 Director, Division of International Finance
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Brill, Director, Division of Research and
 Statistics
 Mr. Solomon, Director, Division of Examinations
 Mr. O'Connell, Assistant General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division
 of Examinations
 Miss Eaton, General Assistant, Office of the
 Secretary
 Mr. Heyde, Attorney, Legal Division

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

	<u>Item No.</u>
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establish- ment of eight branches within the Philadelphia Naval Base and an investment in bank premises.	1
Letter to Bank of Powhatan, Powhatan, Virginia, approving the establishment of a branch on U.S. Highway 60 near its intersection with State Highway 671.	2

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Item No.

Letter to the Federal Reserve Bank of New York relating to the request of Marine Midland Grace Trust Company, New York, New York, for a determination under section 4(c)(1) of the Bank Holding Company Act to permit its retention of the stock of a corporation holding the leasehold of a building at 250 Park Avenue partially occupied by the bank.

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In a discussion of Item No. 3, Governor Robertson pointed out that the Board, in saying it would review the matter at midyear, was in effect committing itself to make a favorable determination if Marine Midland's occupancy rate reached the level currently projected by the bank. It was suggested, in this connection, that the later review take into account the rental values of the first floor and other areas of the building occupied by the bank as compared with other parts of the building.

Open Market Committee policy record. At the meeting of the Board on January 20, 1966, the policy record entries of the Federal Open Market Committee for 1965 had been approved for inclusion in the Board's Annual Report, except that Governor Daane had asked for further opportunity to review the entry for November 23, 1965. A revised draft then was distributed for part of that entry under date of January 24, 1966.

Governor Daane indicated that the revision was satisfactory to him as accurately reflecting the flavor of the meeting, and the revised entry was then approved unanimously for use in the Open Market Committee policy record.

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Time deposits of Iowa banks. With further reference to the Iowa law providing that deposits on which banks in that State pay more than 4 per cent interest must be reported as borrowed money, Mr. Hackley reported receipt of word from the Federal Deposit Insurance Corporation that the Attorney General of Iowa had now ruled that such funds were deposits, although they must be reported as borrowed money, and that the ruling was satisfactory to the Corporation.

Kiting operation involving certain Texas banks. Mr. Solomon reported on a kiting operation appearing to involve a small State member bank in Bangs, Texas, and a nearby insured nonmember bank operating under the same ownership.

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

Examining function at San Francisco. There was discussion of the staffing of the bank examination function at the Federal Reserve Bank of San Francisco, particularly in view of the prospective retirement of Vice President Galvin, and it was understood that Governor Robertson would talk with President Swan about the situation in light of the comments made by members of the Board.

Salary of First Vice President at Cleveland (Item No. 4). Following consideration of a letter dated January 17, 1966, from Chairman Hall of the Federal Reserve Bank of Cleveland relating to plans for bringing the salary of the incoming First Vice President, Walter H. MacDonald, up to the minimum of the range established by the Board for that position in

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its guideline letter of November 3, 1965, unanimous approval was given to a reply to Chairman Hall in the form attached as Item No. 4.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in Saudi Arabia, to be located in Riyadh. The letter contained the following paragraph: "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."

Under today's date, there was sent to the Federal Reserve Banks a letter (copy attached as Item No. 5) transmitting an editorial revision of the amendment to Regulation R, Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933, which was approved by the Board on November 17, 1965, effective that date. Attached as Item No. 6 is a copy of the notice published in the Federal Register in this regard.

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

Acceptance of resignations

Robert F. Grieb, Statistical Clerk, Division of Research and Statistics, effective at the close of business January 24, 1966.

Bonnie J. Stampley, Secretary, Division of Research and Statistics, effective at the close of business February 4, 1966.

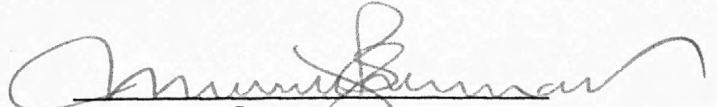
Permission to engage in outside activity

Robert L. Sammons, Associate Director, Division of International Finance, to lecture on the U.S. balance of payments to trainees of the Business Council for International Understanding.

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Governor Shepardson today noted on behalf of the Board a memorandum advising that Rebie A. Windsor, Assistant Supervisor, Motor Transport Unit, Division of Administrative Services, had filed application for retirement, effective February 1, 1966.



Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1

1/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 25, 1966.



Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, of eight branches at the following locations within the Philadelphia Naval Base, Philadelphia, Pennsylvania, provided the branches are established within one year from the date of this letter.

- (1) Intersection of Broad Street and Rowan Avenue.
- (2) Intersection of Porter Avenue and Seventh Street West.
- (3) Intersection of Delaware Avenue and Second Street West.
- (4) On Philip Avenue east of Broad Street.
- (5) Intersection of Porter Avenue and Second Street East.
- (6) Intersection of Philip Avenue and Fourth Street East.
- (7) On Rowan Avenue east of Fourth Street East.
- (8) Forge Shop east of the Airfield.

The Board of Governors also approves, under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$140,000 in bank premises incident to the establishment of the branch at the intersection of Broad Street and Rowan Avenue, Philadelphia, Pennsylvania.

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 branches; 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. 2
1/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 25, 1966

Board of Directors,
Bank of Powhatan,
Powhatan, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of Powhatan, Powhatan, Virginia, of a branch on the south side of U.S. Highway 60 near its intersection with State Highway 671, Powhatan County, Virginia, 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. 3
1/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 25, 1966



Mr. Fred W. Piderit, Jr.,
Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Piderit:

This refers to your letter of December 24, 1965, enclosing a letter of November 12, 1965, from Marine Midland Grace Trust Company, wherein Marine requests a determination by the Board that Marine's occupancy of 250 Park Avenue, estimated to total approximately 9.89 per cent of the building's rentable space by May 1966, will be sufficiently "substantial" within the meaning of section 4(c)(1) of the Bank Holding Company Act of 1956 so as to permit Marine's retention of the stock of the Corporation now holding the leasehold of the building. If the Board is disinclined to grant the determination requested by Marine, Marine asks that the time within which it is required to dispose of the building be extended to December 31, 1970, it being understood that the Board would at or prior to that date determine whether Marine's achieved occupancy is "substantial" within the meaning of section 4(c)(1). Finally, Marine urges that if neither of the aforementioned alternatives is adopted by the Board, Marine be given a reasonable period of time within which to dispose of the stock of the bank premises corporation or of its leasehold of the building.

According to Marine, it now occupies 3.8 per cent of the usable area in the building at 250 Park Avenue. This occupancy represents an increase of but 1.3 per cent over Marine's occupancy in December 1960 when the Board ruled that 2.5 per cent occupancy of the building did not represent a substantial use thereof by the bank within the meaning of section 4(c)(1) of the Act. At that time, the Board expressed the opinion that 250 Park Avenue Corporation could properly be regarded as holding the building in question for the future substantial use of Marine and that, therefore, Marine's acquisition of the stock of the Corporation would be permitted by the provisions of section 4(c)(1). In taking its December 1960 action, the Board expressly reserved the right to determine, as of December 31,

Mr. Fred W. Piderit, Jr.

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1965, whether or not Marine's occupancy of 250 Park Avenue was "substantial" within the meaning of section 4(c)(1). Marine's present request relates to the Board's expressed reservation.

In view of the fact that in the more than five years since the Board's determination, Marine's occupancy of the building in question has increased to only 3.8 per cent, and since its request for determination is based upon an occupancy not yet achieved, but only intended, the Board considers Marine's request for determination premature, and believes that such determination should be made at or following the date by which Marine has stated its occupancy of 250 Park Avenue will be 9.89 per cent.

Accordingly, the Board extends until June 30, 1966, the time originally given Marine in the Board's letter of December 22, 1960, within which Marine may retain the stock owned in 250 Park Avenue Corporation. Prior to June 30, Marine should advise the Board of the extent to which it then has occupied the building and of any definitive plans it then has for additional occupancy. Upon receipt of such information, the Board will determine the question of "substantial" occupancy and any other questions that may arise from that determination.

It will be appreciated if you will transmit the substance of this letter to Marine.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

January 25, 1966.

Mr. Joseph B. Hall, Chairman,
Federal Reserve Bank of Cleveland,
c/o Room 916, Federal Reserve Bank Building,
105 West Fourth Street,
Cincinnati, Ohio 45202.

Dear Joe:

With reference to your letter of the 17th, when the Board approved the appointment of Walter H. McDonald as First Vice President of the Cleveland Bank it took into account the comments in your letter of December 23 regarding both the initial salary at the annual rate of \$22,000 and your plan for increases as he develops, including one at the end of the first year, rather than only at intervals of two or three years as set forth in the Board's salary guideline letter of November 3, 1965.

This has been discussed by the Board, which agrees that an exception to the salary guidelines of the sort you suggest would not present any difficulty while moving up to the minimum rate provided for the position.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
1/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 25, 1966.

Dear Sir:

The Board, effective November 17, 1965, amended Regulation R entitled "Relationships with Dealers in Securities under Section 32 of the Banking Act of 1933" so as to add five new categories of obligations to the exceptions contained in section 218.2. These obligations are among those eligible for underwriting and dealing in by member banks under section 5136 of the Revised Statutes.

The amendment was published in the Federal Register and in the 1965 Federal Reserve Bulletin at page 1704. However, printing of the amendment was deferred pending certain editorial changes for the purpose of clarity. Accordingly, section 218.2 has been revised, effective January 25, 1966, to read as follows:

Section 218.2 - EXCEPTIONS

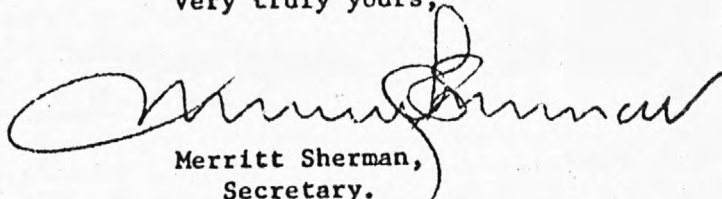
Pursuant to the authority vested in it by section 32, the Board of Governors of the Federal Reserve System hereby grants permission for any officer, director, or employee of any member bank of the Federal Reserve System, unless otherwise prohibited, to be at the same time an officer, director,

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or employee of any corporation or unincorporated association, a partner or employee of any partnership, or an individual, engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of any stocks, bonds, or other similar securities, if so engaged only as to the following securities: bonds, notes, certificates of indebtedness, and Treasury bills of the United States; obligations fully guaranteed both as to principal and interest by the United States; obligations of Federal Intermediate Credit banks, Federal Land banks, Central Bank for Cooperatives, Federal Home Loan banks, the Federal National Mortgage Association, and the Tennessee Valley Authority; subject to specifications contained in paragraph Seventh of Section 5136, Revised Statutes (12 U.S.C. 24), obligations of the International Bank for Reconstruction and Development, the Inter-American Development Bank, any local public agency, and obligations insured by the Federal Housing Administrator; and general obligations of Territories, dependencies, and insular possessions of the United States.

The Regulation is being reprinted, and we would appreciate wire advice as to the number of copies your Bank will need for distribution to all member banks and any other interested persons in your District, plus a supply for future use.

Very truly yours,

A handwritten signature in dark ink, appearing to read 'Merritt Sherman', is written over the typed name and title. The signature is fluid and cursive.

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

TITLE 12 - BANKS AND BANKING

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. R]

PART 218 - RELATIONS WITH DEALERS IN SECURITIES
UNDER SECTION 32, BANKING ACT OF 1933

1a. Effective January 25, 1966, § 218.2 is editorially revised to read as follows:

§ 218.2 - Exceptions.

Pursuant to the authority vested in it by section 32, the Board of Governors of the Federal Reserve System hereby grants permission^{2/} for any officer, director, or employee of any member bank of the Federal Reserve System, unless otherwise prohibited,^{3/} to be at the same time an officer, director, or employee of any corporation

^{2/} Under section 32, as amended effective January 1, 1936 (49 Stat. 709; 12 U.S.C. 78), the Board is authorized to except limited classes of relationships from the prohibitions of the statute, under certain conditions; but the Board can make such exceptions only by general regulations and is not authorized to issue individual permits.

^{3/} Section 8 of the Clayton Act (38 Stat. 732, 49 Stat. 718; 15 U.S.C. 19) is applicable in certain circumstances to interlocking relationships between member banks and private bankers, and other banks, banking associations, savings banks and trust companies. See Part 212 of this Chapter.

Section 17(c) of the Public Utility Act of 1935 (49 Stat. 831; 15 U.S.C. 79q(c)) is applicable in certain circumstances to interlocking relationships between banks and private bankers (and corporations owned by banks and private bankers), and public utility companies and public utility holding companies. Inquiries regarding this section should be addressed to the Securities and Exchange Commission and not to the Board of Governors of the Federal Reserve System.

or unincorporated association, a partner or employee of any partnership, or an individual, engaged in the issue, flotation, underwriting, public sale, or distribution, at wholesale or retail, or through syndicate participation, of any stocks, bonds, or other similar securities, if so engaged only as to the following securities: bonds, notes, certificates of indebtedness, and Treasury bills of the United States; obligations fully guaranteed both as to principal and interest by the United States; obligations of Federal Intermediate Credit banks, Federal Land banks, Central Bank for Cooperatives, Federal Home Loan banks, the Federal National Mortgage Association, and the Tennessee Valley Authority; subject to specifications contained in paragraph Seventh of Section 5136, Revised Statutes (12 U.S.C. 24), obligations of the International Bank for Reconstruction and Development, the Inter-American Development Bank, any local public agency, and obligations insured by the Federal Housing Administrator; and general obligations of Territories, dependencies, and insular possessions of the United States.

Section 10(c) of the Investment Company Act of 1940 (54 Stat. 806; 15 U.S.C. 80a-10(c)) is applicable in certain circumstances to interlocking relationships between banks and registered investment companies. Inquiries regarding this section should be addressed to the Securities and Exchange Commission and not to the Board of Governors of the Federal Reserve System.

Section 305(b) of the Federal Power Act (49 Stat. 856; 16 U.S.C. 825d(b)) is applicable in certain circumstances to interlocking relationships between public utility companies and banks and bankers that are authorized by law to underwrite or participate in the marketing of securities of a public utility. Inquiries regarding this section should be addressed to the Federal Power Commission and not to the Board of Governors of the Federal Reserve System.

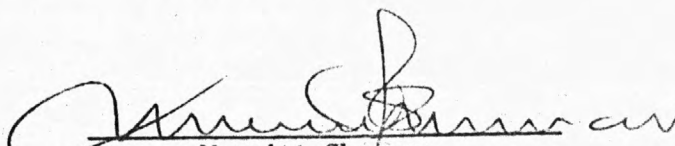
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2a. The purpose of this revision is purely editorial; there is no change in substance and the revision is intended only to make the section easier to read. Footnote 2 is unchanged, but an additional paragraph is added to footnote 3 merely to bring to the attention of the reader another related provision of law.

b. The notice, public participation, and deferred effective date described in section 4 of the Administrative Procedure Act are not followed in connection with this technical revision for the reasons and good cause found as stated in paragraph (e) of § 262.1 of the Board's Rules of Procedure (Part 262 of this chapter), and specifically because in connection with this revision such procedures are unnecessary as they would not aid the persons affected and would serve no other useful purpose.

(Sec. 32, 48 Stat. 194, as amended; 12 U.S.C. 78.)

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM.


Merritt Sherman,
Secretary.