

Minutes for January 26, 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>(nw)</u>
Gov. Robertson	<u>[Signature]</u>
Gov. Balderston	<u>[Signature]</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>
Gov. Daane	<u>[Signature]</u>
Gov. Maisel	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, January 26, 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. 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. Holland, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and
Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hexter, Associate General Counsel
Messrs. Shay and Hooff, Assistant General Counsel
Mr. Irvine, Adviser, Division of International
Finance
Mr. Daniels, Assistant Director, Division of
Bank Operations
Messrs. Goodman, Leavitt, and Thompson, Assistant
Directors, Division of Examinations
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mrs. Semia, Technical Assistant, Office of the
Secretary
Mrs. Heller, Senior Attorney, Legal Division
Mr. Dahl, Chief, Special Studies and Operations
Section, Division of International Finance
Mr. Ring, Technical Assistant, Division of
Bank Operations
Mr. Guth, Review Examiner, Division of Examinations

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Approved letters. The following letters were approved unani-
mously after discussion of appropriate background information that had
been made available to the Board and clarification of particular points
about which members of the Board inquired. Copies of the letters are
attached under the indicated item numbers.

Item No.

- | | |
|---|---|
| Letter to the Federal Reserve Bank of Boston
waiving the assessment of penalties incurred
by Valley Bank and Trust Company, Springfield,
Massachusetts, because of deficiencies in its
required reserves. | 1 |
| Letter to Manufacturers Hanover International
Finance Corporation, New York, New York, granting
permission to purchase shares of Inversiones
Abancay S.A., Lima, Peru. | 2 |
| Letter to the Under Secretary of the Treasury
for Monetary Affairs requesting the views of
the Treasury Department with respect to the
December 1, 1965, report of the Treasury-Federal
Reserve Ad Hoc Coin Committee. | 3 |
| Letter transmitting to the Secretary of the
Federal Advisory Council a list of topics
suggested for discussion at the meeting of
the Council on February 14-15, 1966. | 4 |
| Letter to the New York State Superintendent of
Banks indicating that the Board would be pre-
pared to act on applications for branch offices
to be opened "in the immediate neighborhood"
of a specified location subsequent to approval
of such applications by the State Banking
Board but prior to the issuance of the autho-
rization certificate by the Superintendent. | 5 |
| Letter to the Central Bank of the Argentine
Republic, Buenos Aires, Argentina, regarding
Federal Reserve participation in the Eighth
Meeting of Technicians of Central Banks of the
American Continent and Ninth Operating Meeting
of the Center for Latin American Monetary Studies. | 6 |

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Cleveland approving the appointment of Albert W. Nuske as Alternate Assistant Federal Reserve Agent.	7
Letter to the Federal Reserve Bank of Minneapolis approving payment of salaries to Howard L. Knous as Vice President and to Leonard W. Fernelius as Assistant Cashier at rates fixed by the Bank's Board of Directors.	8
Letter to Chairman Robertson of the Senate Committee on Banking and Currency regarding additional organizations that apparently would become subject to the Bank Holding Company Act if S. 2353, containing a "one-bank" definition, were enacted.	9
Letter to the Comptroller of the Currency agreeing to furnish data he had requested on individual national bank borrowings from the Federal Reserve Banks, and requesting that reports of examination of national banks given certain ratings be furnished promptly to Federal Reserve Banks by Regional Comptrollers of the Currency; letter to the Federal Reserve Banks in this regard.	10-11

With respect to Item No. 9, it was understood that the staff would undertake an analysis, along lines Governor Maisel suggested, of the replies to the Board's survey with a view to developing information that might be helpful to the Board in studying relationships between nonbanking organizations and the banking system.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Hackley, Farrell, Solomon, Johnson, and Sprecher and Mrs. Semia.

Supplement to retirement allowance (Item No. 12). In a circulated memorandum dated January 11, 1966, the Division of Personnel Administration inquired whether the Board wished to suggest that the Board of Directors of the Federal Reserve Bank of Atlanta consider the possibility of entering into a contract under which supplemental retirement benefits

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would be paid by the Bank to President Patterson. The memorandum mentioned other cases in which contracts had been entered into whereby Presidents with relatively short service were guaranteed minimum retirement allowances equal to 40 per cent of final salary if they completed at least 10 years of service, the difference between the amount of such an allowance and the amount payable under the Retirement System of the Federal Reserve Banks being paid directly by the Federal Reserve Bank concerned. Attached to the memorandum was a draft of letter to the Chairman of the Atlanta Reserve Bank that would state that the Board was prepared to consider a similar arrangement in the case of Mr. Patterson if recommended by the Atlanta Board of Directors. A copy of the form of contract that had been used in other similar cases accompanied the draft letter.

In discussion question was raised whether this type of contractual arrangement was intended to apply only to Reserve Bank Presidents who were brought in from outside and therefore had in prospect only a relatively short period of System service, or also to Presidents who were promoted from within. Response was made that, although most of the contracts entered into since 1959 were designed to meet a problem with respect to appointees from outside the System, partly in recognition of their loss of retirement equity in previous employment, similar contractual arrangements had been approved for certain Reserve Bank Presidents with prior System service. Comment was made that it would seem inappropriate to make such an arrangement in order to attract appointees from outside the System and not accord like treatment to a

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President who had been promoted from within the Bank, and there was general agreement with this comment.

The letter to the Federal Reserve Bank of Atlanta was then approved unanimously. A copy is attached as Item No. 12.

The meeting then adjourned.

Secretary's Notes: Attached as Item No. 13 is a copy of a telegram sent today to the Federal Reserve Agent at Atlanta authorizing the issuance to United Bancshares of Florida, Inc., Miami Beach, Florida, of a limited permit to vote its stock of Central First National Bank of Coral Gables, Coral Gables, Florida.

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

Letter to English Language Services, Inc., Washington, D. C., confirming arrangements for a course in Conversational Spanish for members of the Board's staff as an activity of the Board's Employee Training and Development Program, a fee of \$7 to be paid for each session conducted.

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

Appointment

Charlene Gail Roberts as Secretary, Division of Research and Statistics, with basic annual salary at the rate of \$8,009, effective February 1, 1966.

Salary increase

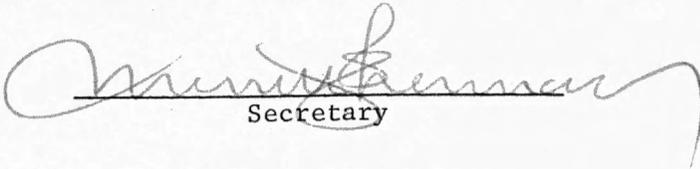
Susan R. Clark, Statistical Clerk, Division of Data Processing, from \$5,694 to \$6,086 per annum, with a change in title to Statistical Assistant, effective January 30, 1966.

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Transfer

Phyllis Carson, from the position of Secretary in the Division of Administrative Services to the position of Secretary in the Division of Research and Statistics, with no change in basic annual salary at the rate of \$5,181, effective January 31, 1966.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
1/26/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966



Mr. E. O. Latham,
First Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Latham:

This refers to your letter of January 14, 1966, regarding the penalties totaling \$4,133.95 incurred by the Valley Bank and Trust Company, Springfield, Massachusetts, on deficiencies in its required reserves for nine of the ten biweekly computation periods from July 22 to December 8, 1965.

It is noted that (1) these deficiencies were discovered during the course of a recent examination of the bank; (2) during the above-mentioned reserve computation periods, errors had been made by the general ledger bookkeeper in connection with the inter-office account for shipments of cash in transit between offices of the bank, with the result that the amounts reported as vault cash for reserve purposes were overstated progressively; (3) your Bank believes that the overstatement of vault cash was due entirely to clerical errors of which the bank management was unaware; (4) the bank previously has had an excellent record of maintaining its required reserves; and (5) the penalty of \$61.22 for the period ended August 4, 1965, can be waived by your Bank under the Board's instructions (S-1123, F.R.L.S. #6120).

In the circumstances, the Board authorizes your Bank to waive the assessment of the remaining penalties of \$4,072.73 for the reserve computation periods from August 19 to December 8, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
1/26/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966.



Manufacturers Hanover International
Finance Corporation,
44 Wall Street,
New York 15, New York.

Gentlemen:

As requested in your application of December 14, 1965, the Board of Governors grants consent for your Corporation to purchase and hold approximately 4,000 shares, par value Peruvian Soles 1,000 each, of Inversiones Abancay S.A., Lima, Peru, at a cost of approximately US\$150,000, provided such stock is acquired within one year from the date of this letter.

The foregoing consent is given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation and Manufacturers Hanover International Banking Corporation, will not cause the total of such loans and investments to exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
1/26/66

OFFICE OF THE CHAIRMAN

February 1, 1966

The Honorable Frederick L. Deming,
Under Secretary of the Treasury
for Monetary Affairs,
Treasury Department,
Washington, D. C. 20220.

Dear Fred:

This refers to the report dated December 1, 1965, of the joint Treasury - Federal Reserve Ad Hoc Coin Committee. It is understood that copies of this report were previously furnished to you and other Treasury representatives, as well as to the Conference of Presidents and the Board. For convenient reference, a listing of the recommendations in the report is enclosed.

On December 13, 1965, the Conference of Presidents approved the recommendations in this report with the following exceptions. The Conference reaffirmed the positions taken at its September 27, 1965, meeting with respect to distribution procedures, namely, that (1) the Conference does not see any net gain in proposing any change in the distribution procedures at the present time in view of the likelihood of the coin shortage being improved in 1966, and (2) the Reserve Banks should in principle accept coin orders direct from nonmember banks but that this requirement should not be made mandatory at this time because such action would aggravate the problem of equitable distribution of coin among the commercial banks.

The Board concurs in the actions taken by the Conference of Presidents with respect to the recommendations made by the Ad Hoc Coin Committee. In considering this matter the Board noted that, while some of the recommendations call for action mainly on the part of the Reserve Banks or the Board, nearly all of the recommendations would directly or indirectly affect Treasury operations. Accordingly, before taking any further action, the Board would like to have the views of the Treasury with respect to the Ad Hoc Committee report, and would particularly appreciate any comments or suggestions as to further steps in this matter.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

Enclosure.

RECOMMENDATIONS IN THE DECEMBER 1, 1965, REPORT OF
JOINT TREASURY - FEDERAL RESERVE AD HOC COIN COMMITTEE

Inventory Reports

1. With respect to Federal Reserve Banks and Branches, the existing arrangement be continued under which coin holdings at the end of each week and at the end of each month are reported to the Mint, with the monthly reports also including data showing coin receipts and payments, as well as comments on the degree of rationing by Reserve Banks. In addition, however, if and when desired inventory holdings are obtained from commercial banks pursuant to the immediately following recommendation, arrangements should be made to obtain comparable figures from the Reserve Banks and Branches.
2. With respect to commercial banks, the Federal Reserve System Research Advisory Committee be requested to develop arrangements under which--
 - (a) All weekly reporting member banks would submit special reports showing, by denominations, as of the last Wednesday of each month the amount of coin on hand and the desired inventory level at that time of year.
 - (b) A representative sample of smaller banks in each Federal Reserve District (preferably member banks) not included in the weekly reporting group would report the same information.
3. With respect to large users of coin (such as department stores, supermarkets, armored carriers providing wrapping service, etc.), the Federal Reserve System Research Advisory Committee be asked to study the feasibility of setting up by Federal Reserve Districts a sampling reporting arrangement that would provide on a continuing monthly basis data that would show, by denominations, coin holdings and desired inventory and that would be representative of the "on hand" or "float" needs of large users of coin.
4. Copies of the reports suggested above be furnished to the Bureau of the Mint and the Board's Division of Bank Operations.

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Hoarding

1. The Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Reserve Board be asked to make arrangements under which, as part of every bank examination, a separate report would be submitted to the appropriate Federal Reserve Bank showing for the bank being examined the number of loans collateralized by silver dollars and other coin, and the amount of coin so pledged by denomination.
2. The Treasury consider hiring an outside research group to develop and carry out a proposal for sampling coin dealers and collectors for the purpose of obtaining a representative indication of their holdings.

Coins in Circulation

The Treasury continue its study of sampling techniques to improve statistics on coin in circulation, and the Federal Reserve Banks and the Board stand ready to lend any assistance the Treasury may desire in this undertaking.

Production Planning

1. The Bureau of the Mint investigate and develop a long-range planning program based on sound statistical techniques.
2. The Federal Reserve Banks develop a procedure under which each Bank would submit to the Board's Division of Bank Operations (a) in April of each year a preliminary estimate showing the coin needs for its District, by denominations, for each of the next two calendar years broken down by quarters, and (b) in August of each year furnish any revisions that may be appropriate in the April figures.
3. The Division of Bank Operations coordinate these figures on a System-wide basis and furnish them to the Mint in May and August of each year for advisory purposes.
4. A permanent Treasury - Federal Reserve liaison committee be appointed to review proposed production before firm estimates are submitted to Congress.

Distribution

1. The Mint, for purposes of making its coin allocations among the Federal Reserve Banks and Branches, (a) take into account the degree of rationing at the different Federal Reserve offices, as now shown on the monthly reports to the Mint on Form 9000; and (b) obtain from each Federal Reserve office a mid-month report showing, by denominations, coin receipts desired from the Mint during the next calendar month.
2. The Board consider the desirability of asking the Presidents' Conference to adopt, in the Cash Circulars of the Reserve Banks, uniform paragraphs covering coin service to nonmember banks, with a view to eliminating any provisions that discriminate against nonmember banks other than those that have to do with absorption of shipping charges and risks.
3. Treasury Circular No. 55 be revised to delineate specifically between responsibilities of the Treasury and the Federal Reserve Banks with respect to the distribution of coin, and to eliminate the prohibition against paying out new coin when circulated coin is available.

Storage

1. Long-range production planning by the Mint include provision for a backlog of coin beyond current needs. Minimum holdings, by the Mint and Federal Reserve Banks together, for this purpose are recommended as follows: cents--three months' supply; nickels--six months' supply; other coins--one year's supply.
2. The "supply" used in such planning goals be based on the Reserve Banks' gross payments less their receipts from circulation, and on inventory data reported by Reserve and commercial banks.
3. The Mint make a survey of storage possibilities available to it (such as the Assay Offices, West Point, and Fort Knox); that such survey include data showing the bag capacity of the space available and transportation and other costs involved in utilizing such space; and that these data be coordinated with similar data previously compiled by the Federal Reserve Banks and Branches.

4. The Treasury and the Federal Reserve System work out an agreement under which, in building up an inventory backlog--
 - (a) The Mint will be basically responsible for the storage of new coin and the Reserve Banks will be basically responsible for the storage of circulated coin.
 - (b) Supplies be built up first at Reserve Banks, next at the storage space under Mint control, and finally at other points if necessary; and if space outside of the Federal Reserve Banks and of Mint control is necessary, the Mint and the Federal Reserve System work out an agreement as to appropriate sharing of the rental cost.
5. The Mint bear any transportation costs resulting from its request to move part of the inventory backlog from one Federal Reserve office to another.
6. Any reflow of coins to Reserve Banks beyond inventory needs be removed from current inventories and stored in dispersal areas until there is an adequate stock for a national emergency.

Miscellaneous Items

1. A policy be adopted under which rebagging and mixing of a specific denomination of coin will be continued by the Reserve Banks only as long as any Reserve Bank is rationing such coin.
2. The Federal Reserve Banks continue to accept deposits of wrapped coin and pay shipping charges on receipts from nonmember banks until an ample supply of coin is generally available.
3. A policy be adopted under which persons with particular knowledge of the coin situation would be very careful in volunteering any information about it and equally careful about the implication that might be drawn from replies to responsible inquiries.
4. The Treasury consider re-establishing a numismatic service as soon as possible in order to realize the revenue that would come from such a service and to provide collectors with proof sets and possibly other new coin.

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

Item No. 4
1/26/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966.

AIR MAIL

Mr. Herbert V. Prochnow, Secretary,
Federal Advisory Council,
38 South Dearborn Street,
Chicago, Illinois. 60690

Dear Herb:

The Board of Governors suggests the topics shown on the attached list for discussion at the meeting of the Federal Advisory Council on February 14, 1966, and the joint meeting of the Board and the Council on February 15.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Attachment

Topics for Discussion at Meeting of
Federal Advisory Council
February 14-15, 1966

1. Economic conditions and prospects.
 - A. How does the Council appraise prospects for economic activity and for industrial prices during the first half of 1966?
 - B. Have Council members observed any significant changes in business plans for additions to capacity or to inventories in response to the generally more buoyant expectations now prevalent?
2. Banking developments.
 - A. What does the Council anticipate as to near-term business demands for bank credit in relation to usual seasonal needs? Is it anticipated that an unusually large proportion of these demands will be in the form of term loans?
 - B. How much tightening of bank lending policies has taken place since last fall? To what extent has such tightening extended to reductions in amounts of loans granted or to actual turn-downs or deferrals of loan applications?
 - C. How have recent developments affected the ability and willingness of banks to attract funds in the CD market?
 - D. Do members of the Council have any comments regarding the proposed amendments to Regulations D and Q announced by the Board on January 20, 1966, that would in effect define "deposits" for the purposes of those regulations as including promissory notes and certain other forms of indebtedness of member banks?
3. Balance of payments.
 - A. How does the Council appraise the strength of foreign demand for U.S. bank funds?
 - B. Have the Council's views on the effectiveness of the voluntary foreign credit restraint program changed materially since the Council met with the Board in November?
4. What are the Council's views on monetary and credit policy under current circumstances?

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
1/26/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966.

Mr. Frank Wille,
Superintendent of Banks,
New York State Banking Department,
100 Church Street,
New York, New York. 10007

Dear Mr. Wille:

This refers to your letter of January 19, 1966, regarding applications for branches by State member banks in New York.

You state that the New York State Banking Department proposes to accept applications for branch offices which may be opened "in the immediate neighborhood" of a specified location. The establishment of a branch office must be approved by the State Superintendent of Banks and also by the State Banking Board. Following such approvals, and the satisfaction of any conditions precedent which may have been imposed by the Banking Board, the Superintendent issues an authorization certificate; and in cases of the kind here described, the specifics as to actual site location would be required to be supplied prior to issuance of the authorization certificate.

In issuing an authorization certificate with respect to such applications, the New York State Banking Department would interpret the phrase "in the immediate neighborhood" in the same manner that the Federal Reserve System interprets that phrase in Section 208.8(b)(7) of Regulation H for purposes of determining whether a change of location does or does not constitute the establishment of a new branch by a State member bank. Thus, the New York Superintendent would issue an authorization certificate only if the site selected were in the immediate neighborhood of the location stated in the application and would not affect the nature of the business intended to be done or the customers intended to be served.

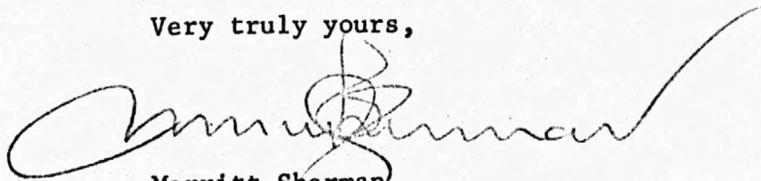
You ask whether the Board of Governors would be prepared to act upon the application subsequent to the State Banking Board approval but prior to issuance of the authorization certificate by the New York Superintendent, with the understanding that the Board would be promptly notified of the specific premises to be occupied.

Mr. Frank Wille

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The Board will be glad to consider and act upon applications for branches in the circumstances you describe subsequent to approval by the New York Banking Board but prior to the issuance of the authorization certificate by the New York Superintendent.

Very truly yours,

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

Merritt Sherman,
Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
1/26/66

OFFICE OF THE CHAIRMAN

February 1, 1966.

AIR MAIL

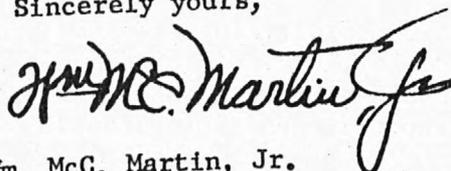
The Honorable Felix Gilberto Elizalde,
President,
Central Bank of the Argentine Republic,
Buenos Aires, Argentina.

Dear President Elizalde:

I am pleased to acknowledge receipt of your invitation to the forthcoming meeting of Central Bank Technicians of the American Continent and the Ninth Operating Meeting of the Center for Latin American Monetary Studies, both to be held next November. I also appreciate the comprehensive agenda you have set forth and the schedule for handling administrative details.

On behalf of the Federal Reserve System, I am pleased to accept your invitation. We will be in further communication in accordance with the schedule you have set forth. In the meantime, please accept my best wishes.

Sincerely yours,



Wm. McC. Martin, Jr.

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

Item No. 7
1/26/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966

Mr. Joseph B. Hall,
Chairman of the Board and
Federal Reserve Agent,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio 44101.

Dear Mr. Hall:

In accordance with the request contained in your letter of January 13, 1966, the Board of Governors approves the appointment of Mr. Albert W. Nuske as Alternate Assistant Federal Reserve Agent at the Federal Reserve Bank of Cleveland to succeed Mr. Clarence J. Goudreau.

This approval is given with the understanding that Mr. Nuske will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent, Mr. Nuske may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Nuske is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Nuske execute the usual Oath of Office which should be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 8
1/26/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966



CONFIDENTIAL (FR)

Mr. Hugh D. Galusha, Jr., President,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440

Dear Mr. Galusha:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Minneapolis for the period March 1 through December 31, 1966, at rates indicated, which are those fixed by your Board of Directors as reported in your letter of January 13.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Howard L. Knous	Vice President	\$15,000
Leonard W. Fernelius	Assistant Cashier	11,500

The Board has noted the early retirement of Vice President Gillette.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 9
1/26/66

OFFICE OF THE CHAIRMAN

February 2, 1966.

The Honorable A. Willis Robertson,
Chairman,
Committee on Banking and Currency,
United States Senate,
Washington, D. C. 20510

Dear Mr. Chairman:

The enclosed list, which shows 586 organizations that would apparently become bank holding companies if S. 2353 were enacted, was prepared--with the few exceptions noted below--from replies to the Board's recent survey. In most cases, the organizations listed are corporations that own 25 per cent or more of the stock of one bank. Also covered are a few long-term trusts, some of which are for charitable or educational purposes, and some of which are pension or profit-sharing trusts for employees, and a few organizations that are neither corporations nor trusts, but would be covered as "similar organizations" under the definition of "company" in the Bank Holding Company Act.

While the response to our survey was excellent (more than 95 per cent of all commercial banks responded), and the list should, therefore, be reasonably complete, it undoubtedly omits some organizations that would be covered by the bill. Presumably some were missed due to nonresponse to the survey, which was voluntary. In a few instances where a bank had not responded, applications on file with the Board under section 301 of the Banking Act of 1935 contained the names of organizations owning 25 per cent or more of the bank's stock; these have been added to the list.

The survey revealed over 300 instances in which it is possible that a trustee holds 25 per cent or more of the stock of a bank, but in which the information given was insufficient to determine whether a trust in fact exists or if it does whether its terms would bring it under the coverage of the proposed legislation. In many instances, for example, the return simply indicates that 25 per cent or more of a bank's stock is held by an estate. In other cases, the return shows that the stock is held in trust for the benefit of designated persons, without indicating

The Honorable A. Willis Robertson -2-

when the trust will terminate. The indications are, however, that the great bulk of these cases would not be covered by the proposed legislation, either because no trust is involved or because it is a "family-type" trust, and so exempt. They are therefore omitted from the list.

Thirteen voting trusts were reported, but have not been included in the list. In four instances, the return indicated that the trust would expire well within the 25-year limit for exemption. Seven of the nine other voting trusts reported are in States that limit such trusts to 10 years.

In the case of pension or profit-sharing trusts, we have assumed, even where the return did not so indicate, that the trust would be perpetual, as is typical for this kind of trust.

Several returns were received indicating that partnerships own 25 per cent or more of the stock of a few banks. These are not included in the list, partly because partnerships would not be covered by S. 2353, and partly because we were concerned whether including them would in some instances be construed as a breach of confidence; banks that reported holdings of individual stockholders had been assured that these holdings (as opposed to holdings of corporations, trusts, or other organizations) would be kept confidential. In some cases, partnerships seem clearly to fall in the category of business organizations, but in other cases they do not.

A list of the holding companies that are now registered with the Board under the Bank Holding Company Act of 1956 is also enclosed.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosures



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 10
1/26/66

OFFICE OF THE CHAIRMAN

January 26, 1966

The Honorable James J. Saxon,
Comptroller of the Currency,
Washington, D. C. 20429

Dear Jim:

The Board will furnish your Office the current data on individual national bank borrowings from the Federal Reserve Banks requested in your letter of January 13.

These data will become available on a continuing basis from machine language records beginning near the end of this month. From that point we will be able to furnish weekly listings of national banks showing daily average figures for borrowings and required reserves with coded information on types of collateral, maturity classifications, and the number of periods indebted in the most recent 12 or 13 weeks. Present plans call for this information to be available with a 7 to 10 day lag after the weekly period ending on Wednesday.

Arrangements for transmitting these listings may be made at the staff level. Your staff may discuss any questions relating to the data or arrangements with T. A. Veenstra, Jr., Chief, Financial Statistics Section, Division of Data Processing.

In order to assist the Federal Reserve System in obtaining necessary information regarding national banks, it will be appreciated if you will direct each Regional Comptroller of the Currency to supply the appropriate Federal Reserve Bank promptly on a continuing basis with a copy of each report of examination of each national bank given a Composite rating of 3 or 4.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11
1/26/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

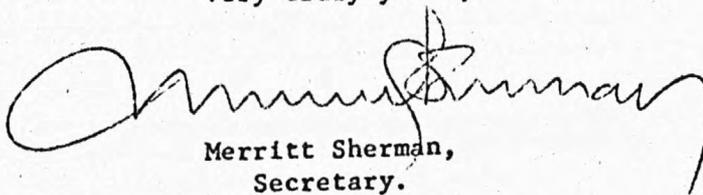
January 26, 1966.

Dear Sir:

Attached for your information is a copy of a letter from the Comptroller of the Currency dated January 13, 1966, and a copy of the Board's reply under today's date.

You will note that the Board's reply, among other things, requests the Comptroller to have the Regional Comptrollers of the Currency supply the Reserve Banks with a copy of each report of examination of each national bank given a composite rating of 3 or 4. Please arrange with the appropriate Regional Comptroller of the Currency to obtain these reports at the usual price of \$100 per copy, and advise the Board when the arrangements are in operation.

Very truly yours,



Merritt Sherman,
Secretary.

Attachments.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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

Item No. 12
1/26/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 26, 1966

CONFIDENTIAL (FR)

Mr. Jack Tarver,
Chairman of the Board,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Tarver:

As you know from the action taken on Mr. Bryan's case, the Board of Governors has approved arrangements entered into by several Federal Reserve Banks wherein the particular Bank guarantees to a recipient a minimum retirement allowance of 40 per cent of final salary after attainment of age 65 provided the recipient has not less than ten years' service creditable under the Federal Reserve Retirement System and is serving as President of that Bank at the time of retirement.

The Board is prepared to give consideration to a similar agreement in the case of Mr. Patterson if recommended by your Board of Directors. For the purpose of placing such a proposal in effect there are enclosed three copies of an Agreement, which has been used with certain other Reserve Banks, which may be executed by Mr. Patterson and the Federal Reserve Bank of Atlanta. If you and Mr. Patterson will execute such an Agreement in triplicate, the Secretary of the Board of Governors will affix his signature and will return the original and one copy to you for your records and that of Mr. Patterson.

To illustrate some of the provisions of the agreement, should Mr. Patterson retire as President on May 16, 1968, on reaching age 65, and assuming his present salary rate, he would be guaranteed a total minimum allowance of \$14,000. His retirement allowance from the Retirement System of the Federal Reserve Banks (pension and annuity) would approximate \$12,950, and about \$1,050 would be payable by the Federal Reserve Bank of Atlanta to make up the \$14,000 figure. This guaranteed minimum allowance would be adjusted downward for retirement at any age earlier than 65 by the pension reduction formula applicable to the Retirement System at the time of his earlier retirement. The post-retirement payments by the Bank would cease at his death, with no provision for payments to his wife. Mr. Patterson would not contribute to the supplemental allowance, which would be paid from Bank funds.

Mr. Jack Tarver

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In addition to the benefits he would receive under the guaranteed minimum allowance agreement, Mr. Patterson would also be entitled to Social Security benefits at age 65.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure.

For and in consideration of the mutual promises of each party hereto, this Agreement is entered into between HAROLD T. PATTERSON and the FEDERAL RESERVE BANK OF ATLANTA, ATLANTA, GEORGIA.

Subject to all of the applicable provisions of law, HAROLD T. PATTERSON agrees to serve as an officer of the said FEDERAL RESERVE BANK as long as such service shall be mutually agreeable to the parties hereto.

For and on account of such service, said FEDERAL RESERVE BANK shall pay said HAROLD T. PATTERSON as follows:

- (1) Said FEDERAL RESERVE BANK shall pay to said HAROLD T. PATTERSON a salary at the rate of \$35,000 per annum during the period ending December 31, 1966, and thereafter during his service as an officer of said FEDERAL RESERVE BANK and prior to his retirement his salary shall be as determined from time to time in accordance with applicable provisions of law;
- (2) If, having attained the age of 65, said HAROLD T. PATTERSON shall retire with not less than 10 years of service creditable under the Retirement System of the Federal Reserve Banks, and if he is President of said FEDERAL RESERVE BANK at the time of his retirement, said FEDERAL RESERVE BANK shall pay to said HAROLD T. PATTERSON after such retirement and during

the remainder of his lifetime an amount per annum which, together with his regular retirement allowance under the Retirement System of the Federal Reserve Banks (without regard to optional benefits or conversion, or additional voluntary contributions), will aggregate a sum equal to 40 per cent of the annual salary being paid to him at the time of his retirement; and

- (3) If, without having attained the age of 65, said HAROLD T. PATTERSON shall retire with not less than 10 years of service creditable under the Retirement System of the Federal Reserve Banks, and if he is President of said FEDERAL RESERVE BANK at the time of his retirement, the aggregate sum equal to 40 per cent of salary referred to in the preceding paragraph (2) shall be reduced by the application of the then current table of pension reduction factors of the Bank Plan of the Retirement System of the Federal Reserve Banks, and the portion of the aggregate that is payable by said FEDERAL RESERVE BANK shall be the difference between the dollar amount represented by such lesser percentage of salary and the regular retirement allowance payable at the attained age by said Retirement System.

This Agreement does not obligate the said HAROLD T. PATTERSON to remain as an officer of the said FEDERAL RESERVE BANK, and does not constitute an Agreement by the said FEDERAL RESERVE BANK or the Board of Governors of the Federal Reserve System that he will continue in such capacity; it does not obligate the said FEDERAL RESERVE BANK to appoint, reappoint, or continue him as an officer, nor does it obligate the Board of Governors of the Federal Reserve System to approve his appointment or reappointment or his compensation.

Witness our hands and seals this _____ day of _____,

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HAROLD T. PATTERSON

FEDERAL RESERVE BANK OF ATLANTA

By _____
Chairman of Board of Directors

Attest:

Secretary, Board of Directors

The above Agreement has been approved by the Board of Governors of the Federal Reserve System and in witness thereof, the seal of the said Board is attached and its Secretary has affixed his signature.

(Date)

Secretary

TELEGRAM
LEASED WIRE SERVICEItem No. 13
1/26/66BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

January 26, 1966.

TARVER -- ATLANTA

KECEA

- A. United Bancshares of Florida, Inc., Miami Beach, Florida.
- B. Central First National Bank of Coral Gables, Coral Gables, Florida.
- C. None.
- D. At any time prior to May 1, 1966, at the annual meeting of shareholders of such bank, or any adjournments thereof, (1) to amend the Articles of Association of such bank (a) to permit the board of directors by the vote of a majority of the full board to add not more than four directors to the board in any one year between annual meetings of stockholders without a vote of stockholders, (b) to provide that any nominee to the board of directors (other than one proposed on behalf of the existing bank management) must give prior written notice to the Comptroller of the Currency and to the bank, (c) to provide for the indemnification of damages and expenses incurred by directors, officers and employees of the bank which may arise out of their defense of a legal proceeding brought against them as a result of their duties with the bank, except where such person has been found liable for negligence or willful misconduct in the performance of his duties for the bank, and (d) to change the name of such bank to Coral Gables First National Bank; and (2) to elect directors for the ensuing year, and to act thereat upon such matters of a routine nature

TARVER -- ATLANTA

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as are ordinarily acted upon at the annual meetings of such bank, provided that all actions taken with respect to (1) shall be satisfactory to the Comptroller of the Currency. STOP. We have been informally advised that the actions taken with respect to (1)(a), (b), and (c) as submitted by the Applicant are generally in accordance with the Comptroller's rules.

(Signed) Merritt Sherman

SHERMAN

Definition of KECEA:

The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).