

Minutes for February 16, 1966

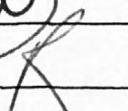
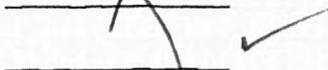
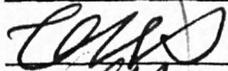
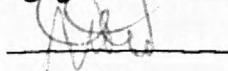
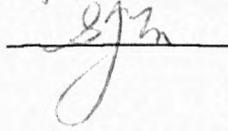
To: Members of the Board

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 Wednesday, February 16, 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. Mitchell
Mr. Daane
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Senior Adviser to the Board and Director, Division of International Finance
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Associate General Counsel
Messrs. O'Connell and Shay, Assistant General Counsel
Mr. Koch, Deputy Director, Division of Research and Statistics
Mr. Williams, Adviser, Division of Research and Statistics
Messrs. Axilrod and Smith, Associate Advisers, Division of Research and Statistics
Mr. Sammons, Associate Director, Division of International Finance
Messrs. Daniels and Kiley, Assistant Directors, Division of Bank Operations
Messrs. Leavitt and Thompson, Assistant Directors, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Messrs. Heyde and Smith, Attorneys, Legal Division
Mrs. Sette, Chief, Economic Editing, and Messrs. Ettin and Lawrence, Economists, Division of Research and Statistics

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Miss Greene and Messrs. Burton, Donovan, Egertson, Guth, Kline, Lyon, Maguire, Noory, and Rumbarger of the Division of Examinations
Mr. Hart, Assistant to the Director, Division of Personnel Administration

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on February 14, 1966, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to the Bank.

Approved items. The following items were approved unanimously after consideration of background information that had been made available to the Board. Copies are attached under the respective numbers indicated.

	<u>Item No.</u>
Letter to Bankers Trust Company, New York, New York, approving the establishment of a branch at 1321 Kings Highway, Borough of Brooklyn.	1
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch at 400 South Airport Boulevard, South San Francisco, branch operations now conducted at 131 Terminal Court to be discontinued simultaneously.	2
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch at Main and Park Streets, Susanville, operations now conducted at the branch at Main and Gay Streets to be discontinued simultaneously.	3
Letter to Lincoln Rochester Trust Company, Rochester, New York, approving the establishment of a branch in the Town of Perinton.	4

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	<u>Item No.</u>
Letter to The Ohio Citizens Trust Company, Toledo, Ohio, approving the establishment of a branch at Manhattan Boulevard and Mulberry Street.	5
Letter to Lyon County State Bank, Rock Rapids, Iowa, granting an extension of time to withdraw from membership in the Federal Reserve System.	6
Letter to Farmers and Merchants Bank of Central California, Lodi, California, approving an investment in bank premises.	7
Letter to Union Bank & Trust Company, Montgomery, Alabama, approving an investment in bank premises.	8
Telegram to the Federal Reserve Bank of Kansas City approving the awarding of contracts for the construction of an addition to the Bank building. (In the form approved the telegram included a clarifying change in wording suggested during discussion.)	9
Letter to the Federal Reserve Bank of Chicago approving a revision of the employees' salary structure and a special Grade 16 maximum of \$19,500.	10

In connection with Item No. 10, Mr. Johnson pointed out that the Chicago Reserve Bank had requested a period of six months to bring within the appropriate ranges all employees whose salaries were below the minimum of their grades as a result of the structure increase. The Bank had made the same request in connection with the previous structure increase. It was proposed to go along with the request on this occasion, but to tell the Bank informally that on future occasions it was hoped the Bank would complete the salary adjustments within a period of three

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months, in accordance with the general practice. In reply to a question, Mr. Johnson said the three-month limitation was based on the philosophy that a structure increase probably was not badly needed if the Reserve Bank was not prepared to implement its approval within a reasonably short period. No objection was indicated to informing the Chicago Bank along the lines suggested by Mr. Johnson.

Reports on competitive factors. After discussion, reports on the competitive factors involved in the following proposed mergers or similar transactions were approved unanimously for transmittal, the conclusions being stated as follows:

To the Comptroller of the Currency regarding
the proposed merger of Wythe County National
Bank, Wytheville, Virginia, into Virginia
National Bank, Norfolk, Virginia

The nearest offices of Virginia National Bank, Norfolk, and Wythe County National Bank, Wytheville, are approximately 30 miles apart, and consummation of the proposed merger would eliminate little, if any, competition between them.

In addition to Wythe County National Bank, Wytheville is now served by two branches of a large bank and a branch of a small bank. Consummation of the proposed transaction would eliminate the only locally headquartered bank in Wytheville, and in this respect the effect of the proposal on competition appears adverse.

To the Comptroller of the Currency regarding the
proposed merger of The Conyngham National Bank,
Conyngham, Pennsylvania, into The First National
Bank of Wilkes-Barre, Wilkes-Barre, Pennsylvania

The proposed merger of The Conyngham National Bank into The First National Bank of Wilkes-Barre would have no significant adverse effects on competition.

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To the Federal Deposit Insurance Corporation
regarding the proposed purchase of assets
and assumption of liabilities of The Taft
Bank (Unincorporated), Taft, Texas, by The
First National Bank of Taft, Taft, Texas

The Taft Bank (Unincorporated) and The First National Bank of Taft have been under common ownership and management since 1923 when The First National Bank of Taft was organized by the principal stockholder of The Taft Bank. The competitive effects of the proposed transaction would not be adverse.

Application of BT New York Corporation. At the meeting on February 14, 1966, the Board had discussed but deferred action on the application of BT New York Corporation, New York, New York, to become a bank holding company through acquisition of all of the outstanding voting shares of Bankers Trust Company, New York, New York; First Trust Company of Albany, Albany, New York; The First State Bank of Spring Valley, Spring Valley, New York; and The Fallkill Bank and Trust Company, Poughkeepsie, New York.

In addition to the papers previously distributed regarding this and other current bank holding company proposals in New York State, there had now been distributed a memorandum dated February 15, 1966, to Governor Mitchell from the Banking Markets Section of the Division of Research and Statistics attaching and commenting on tables providing a general picture of the banking structure in the six Standard Metropolitan Statistical Areas in upstate New York.

During the February 14 discussion all of the members of the Board except Governor Robertson had expressed themselves in favor of the BT

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proposal as it related to the banks in Spring Valley and Poughkeepsie, but several members had expressed some doubt about the inclusion of First Trust of Albany, their key question being whether it was a larger upstate bank than a large New York City bank should be permitted to affiliate with in a holding company setup. A related question was whether the Albany bank should be measured for this purpose in terms of total deposits or in terms of deposits other than public funds.

Governor Robertson, after reading the declaration of policy from the New York State holding company law (see February 14 minutes), stated that he would disapprove the BT application for the reasons he had given during the previous discussion.

Governor Shepardson said that he still had some concern about the inclusion of the Albany bank. However, after further reflection it seemed to him that the absolute size of the bank might be regarded as a less important consideration than the fact that it held only a relatively small portion of the total bank deposits in its area. On that basis he would follow the favorable recommendation of the Division of Examinations.

Governors Mitchell, Daane, and Balderston indicated that they would approve.

Governor Maisel said that he would be willing to approve the acquisition of the banks in Poughkeepsie and Spring Valley but not the one in Albany. He believed that some of the statistics bearing on competition that had been distributed were rather misleading in that they

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failed to take account of the home office protection rule provided in New York State law. Added to this, the three principal cities in the Albany-Schenectady-Troy Standard Metropolitan Statistical Area were really not very competitive--there was a considerable distance between them--so in this sense he thought Albany should be considered a market by itself. Also, he would prefer the use of absolute size, rather than relative size, in measuring First Trust Company of Albany for purposes of considering an application of this kind.

Chairman Martin commented that it was a close case, and one might wish that the Albany bank were smaller. However, he would be willing to approve the application.

The application of BT New York Corporation was thereupon approved, Governor Robertson dissenting and Governor Maisel concurring only so far as the Poughkeepsie and Spring Valley elements were concerned. It was understood that an order and statement reflecting this decision would be prepared for the Board's consideration, and that statements by Governors Robertson and Maisel also would be prepared.

Applications for membership. The application of BT New York Corporation contemplated that if the application was approved the two smaller banks proposed to be acquired would convert from national to State charter. The First State Bank of Spring Valley, Spring Valley, New York, would succeed by conversion The First National Bank of Spring Valley, and The Fallkill Bank and Trust Company, Poughkeepsie, New York, would succeed by

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conversion The Fallkill National Bank and Trust Company of Poughkeepsie. Applications had been submitted on behalf of the two State banks for admission to membership in the Federal Reserve System if the holding company application was approved.

The two applications for System membership were approved unanimously.

Application of Charter New York Corporation. The Board then turned to the application of Charter New York Corporation, New York, New York, to become a bank holding company through acquisition of all of the outstanding voting shares of Irving Trust Company, New York, New York, and at least 80 per cent of the outstanding voting shares of The Merchants National Bank & Trust Company of Syracuse, Syracuse, New York. At the meeting on February 14, 1966, the Board deferred action on the application. Among other things, a question had arisen regarding the capital position of Irving Trust Company, and it was decided to await staff analysis of steps being planned to provide additional capital.

The members of the Board had now been furnished copies of a memorandum dated February 15 in which Mr. Solomon reported additional information developed during the current examination of Irving Trust Company, commented on various aspects of the bank's capital and liquidity position, and described plans through which it was expected that approximately \$60 million would be added to Irving Trust's capital structure. The Division of Examinations had concluded that the capital position of Irving Trust

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should not be considered to weigh against approval of the application of Charter New York Corporation.

After discussion, the application of Charter New York Corporation was approved, Governors Robertson and Maisel dissenting. It was understood that an order and statement reflecting this decision would be prepared for the Board's consideration and that a dissenting statement or statements also would be prepared.

Members of the staff not concerned with the following topics withdrew from the meeting at this point.

Unfit \$1 Federal Reserve notes (Item No. 11). At previous meetings, most recently on January 18, 1966, the Board had discussed problems resulting from the handling of unfit Federal Reserve notes in the \$1 denomination according to procedures required under present law. It was hoped that the problems would be obviated by passage of pending legislation that would allow destruction of unfit notes at the Federal Reserve Banks.

In a distributed memorandum dated February 14, 1966, Mr. Farrell reported that Mr. Howell, Deputy Treasurer of the United States, had indicated that the Comptroller of the Currency now declined to accept any more upper halves of the notes, that vault space in the Bureau of Engraving and Printing was exhausted, but that some additional accumulation of notes could be accommodated by use of vault space in other Treasury quarters. Mr. Howell asked that shipments of the notes to Washington be

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slowed down and suggested specifically that shipments from the Federal Reserve Banks of Cleveland, Atlanta, Kansas City, and Dallas and from the Louisville Branch be discontinued for the time being. Attached to the memorandum was a draft of telegram to the offices mentioned requesting that shipments be discontinued until further notice.

It was noted in the memorandum that the Comptroller of the Currency considered a complete piece count of the unfit currency necessary, whereas the Secretary of the Treasury had agreed to a 5 per cent verification of lower halves by the Office of the Treasurer of the United States and a package count of upper halves by the Comptroller's Office. A letter to the Secretary of the Treasury, which had been discussed with him by Chairman Martin and handed to Under Secretary Barr in draft form, indicated that the Board would not feel justified in reimbursing the Comptroller for more than a package count of the upper halves.

During discussion the suggestion was made that some means be taken to bring the matter of reimbursement again to the attention of the Comptroller, and Chairman Martin indicated that he might find an opportunity to reiterate the point during conversations with Treasury officials.

It was reported that there was in progress a study by the staff of the House Committee on Banking and Currency that gave promise of active consideration in the near future of the proposed legislation to provide for local destruction of unfit Federal Reserve notes.

The telegram to the several Federal Reserve Banks concerned was approved unanimously. A copy is attached as Item No. 11.

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Legislative recommendations. A number of legislative recommendations suggested for inclusion in the Board's 1965 Annual Report had been submitted with a distributed memorandum dated February 11, 1966, from the Legal Division. At the meeting on February 14 several of the recommendations were approved for inclusion, with such revisions as were agreed upon during discussion, but consideration of others was deferred.

A draft recommendation regarding the underwriting of revenue bonds indicated that the Board, although still convinced that banks should not underwrite revenue bonds, would accept legislation authorizing such underwriting to a limited extent as a lesser evil than continuance of the existing situation, in which national banks and member State banks were subject to divergent supervisory rulings under the same provision of law.

Governor Mitchell recalled that he had not shared in the adverse position taken by other members of the Board in regard to commercial bank underwriting of revenue bonds. He had no great objection to the terms of the proposed legislative recommendation. However, given the fact that the practices of national banks operating in this field had become well established, the more realistic attitude, in his opinion, would be to give a higher priority to the establishment of similar rules for national and State member banks and a lower priority to an expression by Congress that would support the Board's interpretation of the present law.

Governor Robertson then suggested revised language that would emphasize the need to correct an inequitable situation and would also be

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less explicit in indicating objection to legislation that would permit member banks to underwrite and deal in revenue bonds to a limited extent.

Governor Daane indicated a preference that the law reaffirm the prohibition against revenue bond underwriting by banks.

Governor Maisel commented that he had never taken a stand on this matter and that he would not want to associate himself with a statement recommending an addition to paragraph seventh of section 5136 of the Revised Statutes that would reaffirm the prohibition against underwriting of revenue bonds by member banks. However, he recognized that it might not be of advantage to shift the Board's position on this matter simply because of his own views.

Chairman Martin noted that the Board was divided in its views on the subject. Personally, he would prefer a reaffirmation of the present law, as the Board had interpreted it, but the Board clearly was divided on the position it should take.

After further discussion Governor Robertson suggested that a treatment along the lines he had indicated previously might be as satisfactory a solution as could be achieved in the circumstances. The Annual Report would first describe the problem created by the different interpretations of the present law by the Board and the Comptroller of the Currency, then note the method the Board had recommended to the Congress to reaffirm and clarify existing law, and finally indicate that action, by one means or another, was considered imperative to correct the present

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situation, with a concluding statement that Congress should decide whether member banks, national and State, should be permitted to underwrite and deal in revenue bonds and, if so, to what extent.

Chairman Martin expressed the view that such a presentation would be satisfactory, and Governor Daane indicated that he felt it probably preserved the basic position.

Accordingly, it was agreed to include in the Annual Report a revision of the draft recommendation along the lines suggested by Governor Robertson. However, Governor Maisel asked that the record show that he did not concur in a basic policy of opposition to commercial bank underwriting of revenue bonds.

After discussion on February 14, 1966, of a proposed legislative recommendation regarding absorption of exchange charges a revised draft had been distributed. The revision separated more clearly the two aspects of the problem, namely, par clearance (which the draft recommended be required of all insured banks) and absorption of exchange charges. As to the latter, the draft would recommend that the Federal Reserve Act and the Federal Deposit Insurance Act be amended to state expressly whether absorption of exchange charges constituted payment of interest on deposits. The last paragraph of the draft recommendation would state that "If such a clarifying amendment should not be enacted, the Board would be disposed to adopt a definition of the term 'interest' that would exclude the absorption of exchange charges, in view of the almost insurmountable difficulty of enforcing the Board's present position regarding

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absorption of exchange charges and the competitive inequity between member and nonmember banks in the existing situation."

During discussion a suggestion was made for deletion of the last paragraph because it had somewhat the tone of a threat, and for recommending that, in the absence of a requirement of par clearance, the Federal Reserve Act and the Federal Deposit Insurance Act be amended to state expressly that absorption of exchange charges constituted payment of interest. It was noted that such a formulation would leave the Board free to reconsider its position if no legislation should be enacted and circumstances suggested a compelling need for a change of position.

With these and certain relatively minor changes, the section on par clearance and absorption of exchange charges was approved. Also approved were a proposed recommendation regarding loans to affiliated foreign banks, and a paragraph that would reiterate previous recommendations regarding loans to bank examiners and modification of section 7 of the Securities Exchange Act of 1934 to eliminate the difference in the status, for credit purposes, of securities traded on exchanges and securities traded over the counter.

The Legal Division had also submitted a proposed recommendation that would in effect place on a standby basis the Board's authority to prescribe maximum rates of interest payable by member banks on time and savings deposits, and would also remove the statutory criteria as to the bases on which different maximum rates of interest might be fixed.

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Question was raised as to the appropriateness of highlighting such a recommendation in current economic circumstances. It was suggested that, if the Board was already on record as favoring such a change in the law, a notation simply be included in the paragraph that would reiterate other previous recommendations, and it was agreed that this would be done.

Secretary's Note: It was later ascertained, and reported at the Board meeting on February 18, that the Board had not expressed a position on the subject in a previous Annual Report, but only in a report to the Senate Committee on Banking and Currency that had not been published. Accordingly, it was understood that no reference to such a recommendation would appear in the 1965 Annual Report.

Text of Annual Report. With a memorandum from Mr. Molony dated February 8, 1966, there had been distributed a draft of textual material for Part I of the Board's Annual Report for 1965.

Discussion included suggestions by members of the Board for expansion of the draft material in certain areas, including the System's interest and participation in international monetary reform efforts and the use of Federal Reserve discount facilities. There were also suggestions for shifts in emphasis in the interest of accurately reporting the economic and financial climate, especially toward the end of the year, and for amplification of the continuing nature of the balance of payments problem.

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Subject to changes to reflect the suggestions made, the draft material was approved for inclusion in the Annual Report, with the understanding that additional suggestions for changes not affecting substance could be submitted direct to Mr. Molony.

The meeting continued from this point with limited staff attendance.

Appointments of Presidents and First Vice Presidents (Items 12-21).

Letters had been received from six Federal Reserve Banks advising of the appointment of the following persons as Presidents and First Vice Presidents of the respective Banks, each for a 5-year term beginning March 1, 1966, subject to the approval of the Board of Governors, and the fixing of salaries for the appointees at the annual rates indicated for the period March 1 through December 31, 1966, also subject to the Board's approval: 1/

<u>Reserve Bank</u>	<u>President</u>	<u>First Vice President</u>
Philadelphia	Karl R. Bopp (\$45,000)	Robert N. Hilkert (\$31,500)
Cleveland	W. Braddock Hickman (\$45,000)	--
Richmond	Edward A. Wayne (\$45,000)	Aubrey N. Heflin (\$31,500)
Chicago	C. J. Scanlon (\$55,000)	Hugh J. Helmer (\$31,500)
Dallas	Watrous H. Irons (\$45,000)	Philip E. Coldwell (\$29,000)
San Francisco	Eliot J. Swan (\$46,000)	H. E. Hemmings (\$31,500)

There had been circulated drafts of replies to the respective Banks indicating the Board's approval. Since Messrs. Wayne, Irons, and Hilkert would reach age 65 prior to the expiration of the 5-year term, letters regarding those officers would indicate that their reappointments were subject to the provisions of the Board's letter of January 6, 1966.

1/ The Board had previously approved the appointment of, and payment of salaries to, the following officers: Walter H. MacDonald, First Vice President, Federal Reserve Bank of Cleveland; Darryl R. Francis, President, and Dale M. Lewis, First Vice President, Federal Reserve Bank of St. Louis; and George H. Clay, President, and John T. Boysen, First Vice President, Federal Reserve Bank of Kansas City.

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Unanimous approval was given to letters to the Philadelphia, Cleveland, Richmond, Chicago, Dallas, and San Francisco Banks approving the appointments made and salaries fixed by the directors of the respective Banks.

The Secretary reported that letters had now also been received from the Federal Reserve Banks of Boston and New York, and that letters were expected shortly from the Federal Reserve Banks of Atlanta and Minneapolis, requesting the Board's approval of the reappointment of their incumbent Presidents and First Vice Presidents for 5-year terms beginning March 1, 1966, and of payment of salaries at rates within the Board's guidelines to those officers for the period March 1 through December 31, 1966.

The Secretary was authorized to inform the Federal Reserve Banks mentioned that the Board approved their requests. The letters subsequently sent to these 4 Reserve Banks specified appointment of the following persons at the salaries indicated:

<u>Reserve Bank</u>	<u>President</u>	<u>First Vice President</u>
Boston	George H. Ellis (\$40,000)	Earle O. Latham (\$31,500)
New York	Alfred Hayes (\$75,000)	William F. Treiber (\$45,000)
Atlanta	Harold T. Patterson (\$35,000) ^{1/}	Monroe Kimbrel (\$27,500)
Minneapolis	Hugh D. Galusha, Jr. (\$37,500)	Maurice H. Strothman, Jr. (\$29,000)

Copies of the letters sent to the 10 Federal Reserve Banks are attached as Items 12-21.

^{1/} Appointment subject to provisions of Board's letter of January 6, 1966.

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All members of the staff then withdrew and the Board went into executive session.

Travel authorization. The Secretary was informed later that during the executive session the Board authorized travel by Ralph A. Young, Robert L. Sammons, and James K. Nettles of the Board's staff to attend the third annual Conference of Central Bank Governors of the Western Hemisphere to be held in Jamaica April 21-23, 1966, with the understanding that reimbursement on an actual expense basis would be permitted.

The meeting then adjourned.

Secretary's Notes: On February 15, 1966, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Richmond (attached Item No. 22) approving the designation of Leonard C. Pennell and Ronald E. Grubbs as special assistant examiners.

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

Transfer

Mary H. Wilson, from the position of Minutes Clerk in the Office of the Secretary to the position of Utility Clerk in the Division of Administrative Services, with an increase in basic annual salary from \$5,109 to \$5,523, effective February 27, 1966.

Acceptance of resignation

Angelina Roumel, Clerk-Typist, Division of Administrative Services, effective February 8, 1966.

On February 15, 1966, Governor Shepardson noted on behalf of the Board a memorandum advising that William E. Pinn, Messenger, Board Members' Offices, had filed application for retirement, effective March 1, 1966.

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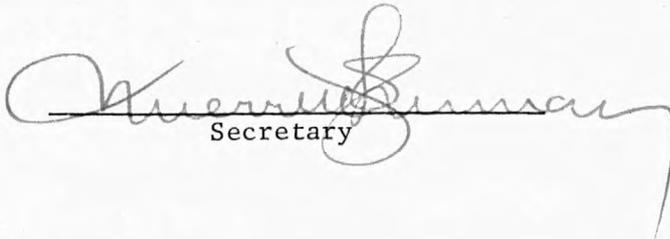
Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Chicago (attached Item No. 23) approving the designation of Joseph Meyer and Larry I. Wasik as special assistant examiners.

Memorandum from the Division of Research and Statistics dated February 7, 1966, recommending that an additional economist position be established in the Banking Markets Section.

Memorandum from Mary Deese, Records Clerk, Office of the Secretary, requesting permission to perform statistical work at George Washington University on a part-time basis.

Memoranda from the Director of the Division of Data Processing and the Controller dated February 14 and February 16, 1966, recommending that Dr. Martin Greenberger be compensated in the amount of \$825 for services performed as consultant to the Division of Data Processing during the period November 30-December 23, 1965. It was understood that the number of days worked during that period would be deducted from the number of days of work contemplated by the terms of his reappointment for the year 1966.


Secretary

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

Item No. 1
2/16/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966

Board of Directors,
Bankers Trust Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bankers Trust Company, New York, New York, of a branch at 1321 Kings Highway, Borough of Brooklyn, New York, New York, 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
2/16/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966.

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank, San Francisco, California, at 400 South Airport Boulevard, South San Francisco, provided the branch is established within six months from the date of this letter, and provided further that branch operations now conducted at 131 Terminal Court, South San Francisco, are discontinued simultaneously with the establishment of the above branch.

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
2/16/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966

Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by United California Bank, Los Angeles, California, of a branch at the north-east corner of Main and Park Streets, Susanville, California, provided the branch is established within one year from the date of this letter, and provided further that operations now conducted at the branch located at the intersection of Main and Gay Streets in Susanville are discontinued simultaneously with the opening of the office at the new location. Approval of the branch at Main and Park Streets is in lieu of the Board's previous approval of a branch in the vicinity of the intersection of Main Street and Grand Avenue.

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. 4
2/16/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966

Board of Directors,
Lincoln Rochester Trust Company,
Rochester, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Lincoln Rochester Trust Company, Rochester, New York, of a branch on the northeast corner of the intersection of Pittsford-Palmyra and Mosley Roads, Town of Perinton (unincorporated area), Monroe County, New York, 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

Item No. 5
2/16/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966

Board of Directors,
The Ohio Citizens
Trust Company,
Toledo, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Ohio Citizens Trust Company, Toledo, Ohio, of a branch at the intersection of Manhattan Boulevard and Mulberry Street, Toledo, Ohio, 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

Item No. 6
2/16/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966

Board of Directors,
Lyon County State Bank,
Rock Rapids, Iowa.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to August 18, 1966, the time within which Lyon County State Bank, Rock Rapids, Iowa, may withdraw from membership in the Federal Reserve System.

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. 7
2/16/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 16, 1966

Board of Directors,
Farmers and Merchants Bank of
Central California,
Lodi, California.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an additional investment in bank premises of not to exceed \$822,000 by Farmers and Merchants Bank of Central California, Lodi, California, for the construction of a new bank headquarters office to be located at the corner of West Pine and North Church Streets, Lodi, California.

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. 8
2/16/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 16, 1966

Board of Directors,
Union Bank & Trust Company,
Montgomery, Alabama.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Union Bank & Trust Company, Montgomery, Alabama, of \$250,000 for remodeling of temporary head office banking quarters and construction of a building to house the Southeastern Branch.

The aforementioned statute requires a State member bank to obtain prior approval from the Board of Governors for expenditures representing investments in bank premises (including amounts not capitalized), which, when added to the carrying value of existing investments in such premises, will aggregate an amount in excess of the bank's capital stock. The Board understands that the bank has purchased the Greystone Hotel property which increased the investment in bank premises to an amount in excess of total outstanding capital stock. Since the bank has already acquired the hotel property, the prior approval contemplated by Section 24A of the Federal Reserve Act cannot be given.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



T E L E G R A M
LEASED WIRE SERVICE

Item No. 9

2/16/66

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

February 16, 1966.

Clay - Kansas City

Board approves awarding of appropriate contracts for the construction of addition to Kansas City Head Office building, as described in Mr. Boysen's letter of February 10, 1966, and authorizes expenditures not to exceed \$5,077,479 for the program; which figure includes architects' fees and a 5 per cent allowance for contingencies. It is understood that Bank proposes to invite bids and award contracts to low acceptable bidders for vault doors, alarm and surveillance systems, and security partitions and controlled doors in aggregate estimated amount of \$444,200, the total of final cost estimates for this work.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 10
2/16/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 15, 1966

CONFIDENTIAL (FR)

Mr. Charles J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois 60690.

Dear Mr. Scanlon:

As requested in your letter of January 27 the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure at the Federal Reserve Bank of Chicago, effective March 1, 1966:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 2,830	\$ 3,820
2	3,075	4,150
3	3,395	4,580
4	3,785	5,110
5	4,175	5,635
6	4,570	6,170
7	5,100	6,880
8	5,630	7,600
9	6,170	8,330
10	6,825	9,210
11	7,485	10,100
12	8,225	11,100
13	9,120	12,320
14	10,150	13,710
15	11,400	15,400
16	12,750	17,220

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 minimums of their grades as a result of the structure increase should be brought within appropriate ranges not later than six months after the effective date of the new structure.

Mr. Scanlon - 2

The Board also approved your request for a special Grade 16 maximum of \$19,500, where required to recruit and retain employees of the desired quality in professional level positions.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICEItem No. 11
2/16/66**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**
WASHINGTON

February 16, 1966.

Hickman - Cleveland
Patterson - Atlanta
Francis - St. Louis
Clay - Kansas City
Irons - Dallas

Referring Board's November 26, 1965, letter (FRLS-5804),
circumstances now make it necessary to reduce volume of unfit
\$1 Federal Reserve notes being sent to Washington for redemption
and destruction. Accordingly, this is to request that Federal
Reserve offices at Cleveland, Atlanta, Louisville, Kansas City,
and Dallas discontinue for time being any further shipments of
such notes to Washington. However, upper halves of lowers
already forwarded should be shipped. Sorting out own notes
at these five offices should also be discontinued pending further
advice.

(Signed) Merritt Sherman

SHERMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 12
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Erwin D. Canham, Chairman,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Spike:

The Board of Governors has approved the appointment of Mr. George H. Ellis as President and Mr. Earle O. Latham as First Vice President of the Federal Reserve Bank of Boston, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in Mr. Stone's letter of February 9, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Ellis and Latham at their current rates of \$40,000 and \$31,500 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 13
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Everett N. Case, Chairman,
Federal Reserve Bank of New York,
New York, New York 10045.

Dear Everett:

The Board of Governors has approved the appointment of Mr. Alfred Hayes as President and Mr. William F. Treiber as First Vice President of the Federal Reserve Bank of New York, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in your letter of February 3, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Hayes and Treiber at their current rates of \$75,000 and \$45,000 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 14
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Walter E. Hoadley, Chairman,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Walter:

The Board of Governors has approved the appointment of Mr. Karl R. Bopp as President and Mr. Robert N. Hilkert as First Vice President of the Federal Reserve Bank of Philadelphia, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in your letter of November 19, 1965.

It is noted that First Vice President Hilkert will reach age 65 about one year prior to the expiration of the statutory term. Accordingly, it is understood that his reappointment is subject to provisions of the Board's letter of January 6, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Bopp and Hilkert at their current rates of \$45,000 and \$31,500 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 15
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Joseph B. Hall, Chairman,
Federal Reserve Bank of Cleveland,
916 Cincinnati Branch Building,
Cincinnati, Ohio 45201.

Dear Joe:

The Board of Governors has approved the appointment of Mr. W. Braddock Hickman as President of the Federal Reserve Bank of Cleveland for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in your letter of July 15, 1965.

The Board of Governors has also approved the payment of salary to Mr. Hickman at his current rate of \$45,000 per annum for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Edwin Hyde, Chairman,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Ed:

The Board of Governors has approved the appointment of Mr. Edward A. Wayne as President and Mr. Aubrey N. Heflin as First Vice President of the Federal Reserve Bank of Richmond, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in your letter of January 13, 1966.

It is noted that President Wayne will reach age 65 about three years prior to the expiration of the statutory term. Accordingly, it is understood that his reappointment is subject to provisions of the Board's letter of January 6, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Wayne and Heflin at their current rates of \$45,000 and \$31,500 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 17
2/16/66

OFFICE OF THE CHAIRMAN

February 25, 1966.

CONFIDENTIAL (FR)

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

Dear Jack:

The Board of Governors has approved the appointment of Mr. Harold T. Patterson as President and Mr. Monroe Kimbrel as First Vice President of the Federal Reserve Bank of Atlanta, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in your letter of February 18, 1966. The Board notes that it is understood by the Directors and Mr. Patterson that if still in office as President, Mr. Patterson will retire at age 65 or not more than 90 days following the date that age is attained, as permitted under the rules and regulations of the Retirement System.

The Board of Governors has also approved the payment of salaries to Messrs. Patterson and Kimbrel at their current rates of \$35,000 and \$27,500 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 18
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Franklin J. Lunding, Chairman,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Frank:

The Board of Governors has approved the appointment of Mr. Charles J. Scanlon as President and Mr. Hugh J. Helmer as First Vice President of the Federal Reserve Bank of Chicago, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in Mr. Sheldon's letter of January 13, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Scanlon and Helmer at their current rates of \$55,000 and \$31,500 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 19
2/16/66

OFFICE OF THE CHAIRMAN

February 21, 1966

CONFIDENTIAL (FR)

Mr. Judson Bemis, Chairman,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440.

Dear Judson:

The Board of Governors has approved the appointment of Mr. Hugh D. Galusha, Jr. as President and Mr. Maurice H. Strothman, Jr. as First Vice President of the Federal Reserve Bank of Minneapolis, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in Mr. Olin's letter of February 16, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Galusha and Strothman at their current rates of \$37,500 and \$29,000 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 20
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Carl J. Thomsen, Chairman,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Carl:

The Board of Governors has approved the appointment of Mr. Watrous H. Irons as President and Mr. Philip E. Coldwell as First Vice President of the Federal Reserve Bank of Dallas, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in Mr. Anderson's letter of November 11, 1965.

It is noted that President Irons will reach age 65 about three years prior to the expiration of the statutory term. Accordingly, it is understood that his reappointment is subject to provisions of the Board's letter of January 6, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Irons and Coldwell at their current rates of \$45,000 and \$29,000 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 21
2/16/66

OFFICE OF THE CHAIRMAN

February 16, 1966

CONFIDENTIAL (FR)

Mr. Frederic S. Hirschler, Chairman,
Federal Reserve Bank of San Francisco,
San Francisco, California 94120.

Dear Fred:

The Board of Governors has approved the appointment of Mr. Eliot J. Swan as President and Mr. H. E. Hemmings as First Vice President of the Federal Reserve Bank of San Francisco, each for a term of five years beginning March 1, 1966, in accordance with the action taken by the Board of Directors as reported in your letter of January 6, 1966.

The Board of Governors has also approved the payment of salaries to Messrs. Swan and Hemmings at their current rates of \$46,000 and \$31,500 per annum, respectively, for the period March 1 through December 31, 1966.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 22
2/16/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



February 15, 1966

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained in your letter of February 11, 1966, the Board approves the designation of Leonard C. Pennell and Ronald E. Grubbs as special assistant examiners for the Federal Reserve Bank of Richmond.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 23
2/16/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 17, 1966

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 February 14, 1966, the Board approves the designation of Joseph Meyer and Larry I. Wasik as special assistant examiners for the Federal Reserve Bank of Chicago.

Appropriate notations have been made of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.