

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

W

Gov. Robertson

R

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

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Minutes of the Board of Governors of the Federal Reserve System on Wednesday, March 2, 1966. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
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. Hexter, Associate General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Smith, Associate Adviser, Division of Research and Statistics  
Mr. Sammons, Associate Director, Division of International Finance  
Mr. Daniels, Assistant Director, Division of Bank Operations  
Mr. Kiley, Assistant Director, Division of Bank Operations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Thompson, Assistant Director, Division of Examinations  
Mrs. Semia, Technical Assistant, Office of the Secretary  
Mr. Morgan, Staff Assistant, Board Members' Offices  
Miss Wolcott, Secretary, Board Members' Offices  
Messrs. Sanders and Smith of the Legal Division  
Mr. White, Technical Assistant, Division of Bank Operations  
Messrs. Burton, Donovan, Guth, Kline, Lyon, Noory, and Miss Greene of the Division of Examinations

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Discount rates. The establishment without change by the Federal Reserve Bank of Boston on February 28, 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 letters. The following letters were approved unani- mously after consideration of background information that had been made available to the Board. Copies are attached under the indicated item numbers.

	<u>Item No.</u>
Letter to State Bank of Kewaunee, Kewaunee, Wisconsin, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	1
Letter to Union Bank and Trust Company, Delphi, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	2
Letters to the Federal Reserve Banks of New York, Philadelphia, and Richmond regarding their building operating costs.	3-5

Application of New Hampshire Bankshares. A memorandum from the Division of Examinations dated February 25, 1966, and other pertinent papers had been distributed in connection with an application by New Hampshire Bankshares, Inc., Nashua, New Hampshire, to acquire a majority of the outstanding voting shares of The Indian Head National Bank of Manchester, Manchester, New Hampshire. The Division's recom- mendation was favorable.

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During the discussion of the material that had been distributed, Mr. O'Connell called attention to the question raised in the memorandum from the Division of Examinations as to whether the Board should adopt a policy of requiring bank holding companies to make the same cash or stock exchange offer to minority shareholders as to majority shareholders when they proposed to acquire controlling interests in banks.

There was agreement that in the present case no such requirement appeared to be necessary because the applicant had indicated its intention, after having acquired majority interest, of making a cash or exchange of stock offer to the minority stockholders on terms no less favorable than those offered to the majority shareholders. It was suggested that this fact could be mentioned in the Board's order or statement.

The application was then approved unanimously, with the understanding that an order and statement reflecting this decision would be drafted for the Board's consideration.

Amendment to Rules of Procedure (Item No. 6). A memorandum dated February 14, 1966, from the Legal Division had been distributed proposing an amendment to section 262.2(f)(5) of the Board's Rules of Procedure in order to take account of relevant provisions of the new bank merger legislation (S. 1698), approved by the President on February 21, 1966 (Public Law 89-356). The purpose of the amendment was to extend to 30 days (except in certain unusual circumstances) the period during which consummation of a merger must be delayed following Board approval.

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After discussion, the proposed amendment was approved unan-  
imously effective March 2, 1966. The text of the amendment, as published  
in the Federal Register, is attached as Item No. 6.

It was noted that there had also been distributed, as a matter  
of information, a memorandum from the Legal Division dated February 21,  
1966, discussing the uniform standards (applicable to the Federal bank  
supervisory agencies and the courts alike) for determination of cases  
under the new bank merger legislation.

Directors Day. There had been distributed a memorandum dated  
March 1, 1966, in which Mr. Morgan presented the tentative program for  
the meeting with new Federal Reserve Bank and branch directors on  
March 24 (to be preceded by a reception and dinner on the evening of  
March 23).

It was agreed that the tentative program was satisfactory and  
that further planning would proceed on this basis.

Bill for local destruction of unfit Federal Reserve notes.  
Mr. Hexter referred to H. R. 5305, a bill to authorize revised procedures  
for the destruction of unfit Federal Reserve notes, including local  
destruction at the Federal Reserve Banks, and to permit allocation of  
credit for destroyed notes without sorting by Banks of issue. He stated  
that a proposed amendment to the bill, containing several new provisions,  
had been received in the Legal Division from Mr. Carlock, Fiscal Assis-  
tant Secretary of the Treasury, with a request for any technical amend-  
ments deemed necessary to fit in with the Treasury's proposal. Most of

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these provisions presented no problem, in Mr. Hexter's view, but one provision would strike from section 16 of the Federal Reserve Act the sentence reading "Notes so paid out shall bear upon their faces a distinctive letter and serial number which shall be assigned by the Board of Governors of the Federal Reserve System to each Federal Reserve bank."

Section 16 was long and complex, Mr. Hexter pointed out, and contained many provisions based on the assumption of 12 individual note issues. The Legal Division had drafted a set of supplementary amendments that might be furnished to the Treasury if the Board wished merely to provide limited technical assistance. However, the Treasury proposal could be interpreted as opening the door to a major change, namely, provision for a single issue of Federal Reserve notes rather than individual issues by the 12 Federal Reserve Banks. As the Board was aware, this idea had been discussed over a matter of years, with considerable support by various members of the Board. The terms of the Treasury proposal were not sufficient to accomplish that purpose; it would simply change the face of the notes without affecting other provisions of section 16, including those relating to reserves against notes in circulation. The question presented, therefore, was whether merely to provide the limited technical assistance that had been requested or whether to take a position for or against a single note issue.

The ensuing discussion reviewed the advantages expected to result from provision for a single note issue, especially in obviating



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the necessity to sort unfit Federal Reserve notes according to Bank of issue and in simplifying the utilization of gold certificate reserves. Reference also was made to the efforts of the Conference of Presidents of the Federal Reserve Banks, as well as of the Board's staff, to achieve some workable formula through which liability for destroyed unfit Federal Reserve notes could be extinguished through allocation of redemption credit among the Reserve Banks.

Question was raised whether a bill providing full implementation of a single note issue was likely to achieve enactment. It was pointed out that at one stage the Board had refrained from pressing for a single note issue through a comprehensive revision of section 16 in order not to jeopardize the passage of a bill providing for local destruction and for allocation of redemption credit by formula. Now, however, it appeared that sentiment in favor of a single note issue had arisen within the Subcommittee of the House Committee on Banking and Currency assigned to consider the pending bill. Thus, although the greater length necessary for a bill providing for a single note issue would not be an advantage, the longer bill probably would not be as vulnerable as might have been the case if the proposal had been initiated elsewhere. It was brought out that, although the Legal Division had not received the impression that it was the intention of the Treasury to seek a single note issue, conversations Mr. Farrell had had with Treasury representatives indicated such an intent.

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At the conclusion of the discussion it was agreed that necessary staff assistance should be given to round out the amendments proposed by the Treasury so as to obtain full benefits of legislation providing for a single note issue if such legislation should be favored by the Congress.

Board policy actions. At the meeting on February 18, 1966, the Board discussed drafts of entries for the 1965 Annual Report regarding its policy actions during 1965, as distributed with a memorandum from Mr. Sherman dated January 31. A memorandum dated February 15 in which Governor Maisel suggested alternative passages in explanation of the dissenting votes on the December 3 discount rate action had also been distributed. Governor Daane had requested an opportunity to give further study to the December 3 entry.

Governor Daane stated that on the basis of further study of the alternative drafts, the minutes of the December 3 meeting, and the minutes of the Federal Open Market Committee meeting on November 23, he favored the original version of policy record entry containing the longer statement of minority views because he felt it was more representative of the differences of opinion that had existed. Also, it seemed to him that if this version was used, the entry might be better balanced if a paragraph or two were added to the explanation of the majority position, referring to matters such as the Treasury financing schedule, the build-up of Governmental expenditures attributable to Viet Nam developments, and the capital investment boom.



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Mr. Sherman reported a conversation with Governor Shepardson in which the latter had expressed views similar to those of Governor Daane.

Chairman Martin then suggested approval on this basis of the record of Board policy actions for inclusion in the Annual Report, and there was agreement with this suggestion.

Director appointment. To succeed Walter E. Hoadley, who had resigned, the Board designated Willis J. Winn as Chairman and Federal Reserve Agent of the Federal Reserve Bank of Philadelphia for the remainder of the year 1966, with compensation in an amount equal to the fees payable to any other director of the Philadelphia Bank for equivalent time and attendance to official business.

It was agreed to ascertain (through Mr. Winn, if he accepted the designation as Chairman) whether Bayard L. England, Chairman of the Board, Atlantic City Electric Company, Atlantic City, New Jersey, and currently a Class B director of the Federal Reserve Bank of Philadelphia, would accept appointment, if tendered, as a Class C director for the remainder of the term ending December 31, 1966, with the understanding that if it were found that Mr. England would accept, the appointment would be made, and that he would be appointed Deputy Chairman of the Bank for the remainder of 1966.

Secretary's Note: It having been ascertained that Mr. England would accept the Class C directorship, a telegram was sent on March 2, 1966, advising of his appointment and also of his appointment as Deputy Chairman.

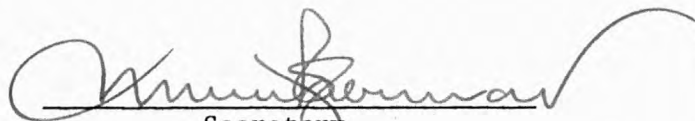
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Steering Committee. President Wayne of the Federal Reserve Bank of Richmond was designated to serve in lieu of Mr. Shuford as a member of the Steering Committee for the Fundamental Reappraisal of the Discount Mechanism.

The meeting then adjourned.

Secretary's Note: Pursuant to the authorization given by the Board on December 17, 1965, and confirmed at its meeting on January 4, 1966, letters were sent on March 1, 1966, to A-N Corporation, Cheyenne, Wyoming, and to Holland & Hart, counsel for Colorado Financial Services, Inc., Eagle, Colorado, granting those corporations temporary, revokable section 301 determinations. Copies of the respective letters are attached as Items 7 and 8.

  
Secretary

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

Item No. 1  
3/2/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 2, 1966



Board of Directors,  
State Bank of Kewaunee,  
Kewaunee, Wisconsin.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors a letter dated February 8, 1966, signed by President Hostak together with the accompanying resolutions dated February 8, 1966, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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. 2  
3/2/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 2, 1966.

Board of Directors,  
Union Bank and Trust Company,  
Delphi, Indiana.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors President Swezey's letter dated January 31, 1966, and resolutions dated February 17, 1966, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of withdrawal.

In accordance with your request, the Board of Governors waives the requirement of six months' notice of withdrawal. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date the notice of intention to withdraw from membership was given.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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. 3

3/2/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 2, 1966

Mr. Alfred Hayes, President,  
Federal Reserve Bank of New York,  
New York, New York. 10045

Dear Mr. Hayes:

In 1964 the Board sent to each President a copy of a report on the maintenance and operation of Reserve Bank buildings based on observations and discussions by representatives of the Division of Bank Operations during visits to each of the Head Offices in 1963. The report included data which highlighted differences among the Banks in their Provision of Space costs.

The Board hoped that focusing attention on the wide variations in the cost of maintaining and operating Reserve Bank buildings would lead the individual Banks to make comprehensive reviews of their building policies and practices and to improve these costs where practicable. The Board is pleased to note from budget information and the Supplemental Provision of Space Report in the Consolidated Statement of Expenses and Functional Data that these costs have been reduced significantly at some Banks, but it is also concerned over the lack of improvement at others.

At the time of the 1963 survey, New York's Provision of Space costs were proportionately among the highest, and the enclosed exhibits indicate that there has been little or no subsequent improvement. For instance--

1. Exhibit 1 shows that New York's total cost per square foot in the Provision of Space Function has increased from \$3.71 to \$3.98, and Exhibit 4 shows that the average number of employees allocating time to this function has increased from 288 to 305.

Mr. Alfred Hayes

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2. Exhibit 6 shows that, for the year 1965, New York's housekeeping cost per gross square foot was \$1.02, the highest of all head offices, and that the number of square feet serviced per housekeeping employee was 5,558, the lowest of all head offices.

The Board would appreciate any comments you may care to make about the cost of the Provision of Space function at New York, particularly with respect to any policies and practices that may account for the relatively high costs, the justification for such policies and practices, and any remedial action your Bank may be contemplating in this area.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
3/2/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 2, 1966

Mr. Karl R. Bopp, President,  
Federal Reserve Bank of Philadelphia,  
Philadelphia, Pennsylvania. 19101

Dear Mr. Bopp:

In 1964 the Board sent to each President a copy of a report on the maintenance and operation of Reserve Bank buildings based on observations and discussions by representatives of the Division of Bank Operations during visits to each of the Head Offices in 1963. The report included data which highlighted differences among the Banks in their Provision of Space costs.

The Board hoped that focusing attention on the wide variations in the cost of maintaining and operating Reserve Bank buildings would lead the individual Banks to make comprehensive reviews of their building policies and practices and to improve these costs where practicable. The Board is pleased to note from budget information and the Supplemental Provision of Space Report in the Consolidated Statement of Expenses and Functional Data that these costs have been reduced significantly at some Banks, but it is also concerned over the lack of improvement at others.

At the time of the 1963 survey, Philadelphia's Provision of Space costs were proportionately among the highest, and the enclosed exhibits indicate that there has been little or no subsequent improvement. For instance--

1. Exhibit 1 shows that Philadelphia's total cost per square foot in the Provision of Space Function has increased from \$3.89 to \$4.01, and Exhibit 2 shows that controllable costs increased from \$1.98 to \$2.49.
2. Exhibit 6 shows that, for the year 1965, Philadelphia's housekeeping cost per gross square foot was \$.94, second highest among all head offices, and that the number of square feet serviced per housekeeping employee was 6,322, third lowest among all head offices.



Mr. Karl R. Bopp

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The Board would appreciate any comments you may care to make about Provision of Space costs at Philadelphia, particularly with respect to any policies and practices that may account for the relatively high costs, the justification for such policies and practices, and any remedial action your Bank may be contemplating in this area.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 5  
3/2/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 2, 1966



Mr. Edward A. Wayne, President,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213

Dear Mr. Wayne:

In 1964 the Board sent to each President a copy of a report on the maintenance and operation of Reserve Bank buildings based on observations and discussions by representatives of the Division of Bank Operations during visits to each of the Head Offices in 1963. The report included data which highlighted differences among the Banks in their Provision of Space costs.

The Board hoped that focusing attention on the wide variations in the cost of maintaining and operating Reserve Bank buildings would lead the individual Banks to make comprehensive reviews of their building policies and practices and to improve these costs where practicable. The Board is pleased to note from budget information and the Supplemental Provision of Space Report in the Consolidated Statement of Expenses and Functional Data that these costs have been reduced significantly at some Banks, but it is also concerned over the lack of improvement at others.

At the time of the 1963 survey, Richmond's Provision of Space costs were proportionately among the highest, reflecting a particularly large number of housekeeping and administrative and other employees. A current analysis of Provision of Space expenses and related data, as summarized in the attached exhibits, indicates that while there has been some notable improvement, such as a reduction in average number of employees from 95 to 85 and a reduction in total cost per gross square foot from \$3.72 to \$2.62, certain of Richmond's costs are still above those at most Banks. For instance, Exhibit 6 shows that in 1965 Richmond's housekeeping cost per gross square foot was \$.70, third highest among all head offices, and that the number of square feet serviced per housekeeping employee was 5,710, second lowest among all head offices; and Exhibit 8 shows that administration cost per gross square foot was \$.23, highest of all head offices.

Mr. Edward A. Wayne

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The Board would appreciate any comments you may care to make about the cost of the Provision of Space function at Richmond, particularly with respect to any policies and practices that may account for the relatively high costs, the justification for such policies and practices, and any remedial action your Bank may be contemplating in this area.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosures

TITLE 12 - BANKS AND BANKING  
CHAPTER II - FEDERAL RESERVE SYSTEM  
PART 262 - RULES OF PROCEDURE

Item No. 6  
3/2/66

Merger Applications

1. Effective March 2, 1966, § 262.2(f)(5) is amended to read as follows:

§ 262.2 Applications and requests.

\* \* \* \* \*

(f) Bank holding company and merger applications. \*\*\*

(5)(i) Each Order of the Board approving a holding company application includes, as a condition of such approval, a requirement that the transaction approved shall not be consummated within seven calendar days following the date of such Order, except in emergency or other situations as to which the Board determines that such a requirement would not be in the public interest. (ii) Each Order of the Board approving a merger application includes, pursuant to the Act approved February 21, 1966 (12 U.S.C. 1828(c)(1)(6)), a requirement that the transaction approved shall not be consummated before the thirtieth calendar day following the date of such Order, except as the Board may otherwise determine pursuant to emergency situations as to which the Act permits consummation at earlier dates. (iii) Each Order approving an application also includes, as a condition of approval, a requirement that the transaction approved shall be consummated within three months and, in the case of acquisition by a holding company of stock of a newly organized bank, a requirement that such bank shall be opened for business within six months.

\* \* \*



2a. The purpose of this amendment is to conform section 262.2(f)(5) insofar as it relates to delay in consummation of approved merger applications to the provisions of the bank merger legislation approved February 21, 1966 (Public Law 89-356). The provisions with respect to consummation of approved bank holding company applications remain unchanged.

b. Notice, public participation, and deferred effective date, are not required by section 4 of the Administrative Procedure Act for rules of agency procedure or practice and, therefore, were not followed in connection with adoption of these amendments.

(12 U.S.C. 248(i).)

Dated at Washington, D. C., this 2nd day of March, 1966.

By order of the Board of Governors.

(SEAL)

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
3/2/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 1, 1966

Mr. Michael E. Price, President,  
A-N Corporation,  
c/o The American National Bank of Cheyenne,  
20th and Capitol Avenue,  
Cheyenne, Wyoming.

Dear Mr. Price:

This refers to the request contained in your letter of February 16, 1966, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of A-N Corporation as a holding company affiliate.

From the information presented, the Board understands that A-N Corporation is a holding company affiliate by reason of the fact that it owns 6,990 of the 7,500 outstanding shares of capital stock of The American National Bank of Cheyenne, Cheyenne, Wyoming, and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

The Board is in process of reviewing its interpretation of the last paragraph of section 2(c) of the Banking Act of 1933, as amended (12 U.S.C. 221a), as it applies to situations similar to that presented by your request for a determination pursuant to that provision of law. In order to avoid delay that might inconvenience your company, the Board has determined, in accordance with its interpretation of that statutory provision in prior cases of this type, that A-N Corporation is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies. Accordingly, A-N Corporation is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act (12 U.S.C. 371c) and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Michael E. Price

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As stated above, the interpretation of section 2(c) is under review by the Board. As a result of that review, it is possible that the Board's interpretation of the statute may be so modified that companies such as A-N Corporation would not be entitled to "favorable" determinations under the last paragraph of section 2(c). In that event, the Board may rescind the determination referred to in the preceding paragraph.

In any event, if the facts should at any time change in such manner as to indicate that A-N Corporation might be so engaged, this matter should again be submitted to the Board for another determination in the light of the new facts. A change in facts would include, among other things, any additional acquisitions of bank stock even though not constituting control.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8  
3/2/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 1, 1966

Mr. Bruce T. Buell,  
Holland & Hart,  
500 Equitable Building,  
Denver, Colorado. 80202

Dear Mr. Buell:

This refers to the request contained in your letter of January 19, 1966, submitted through the Federal Reserve Bank of Kansas City, for a voting permit to vote the stock which Colorado Financial Services, Inc., owns or controls of The First National Bank of Eagle County, Eagle, Colorado. In lieu of the requested voting permit, the Board has considered the issuance of a determination, pursuant to section 216.2(a) of Regulation P.

From the information presented, the Board understands that Colorado Financial Services, Inc., operates an insurance agency; that it is a holding company affiliate by reason of the fact that it owns 431 of the 500 outstanding shares of capital stock of The First National Bank of Eagle County, Eagle, Colorado; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

The Board is in process of reviewing its interpretation of the last paragraph of section 2(c) of the Banking Act of 1933, as amended (12 U.S.C. 221a), as it applies to situations similar to that presented by your request for a determination pursuant to that provision of law. In order to avoid delay that might inconvenience Colorado Financial Services, Inc., the Board has determined, in accordance with its interpretation of that statutory provision in prior cases of this type, that such Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks, or trust companies. Accordingly, Colorado Financial Services, Inc., is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act (12 U.S.C. 371c) and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

Mr. Bruce T. Buell

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As stated above, the interpretation of section 2(c) is under review by the Board. As a result of that review, it is possible that the Board's interpretation of the statute may be so modified that companies such as Colorado Financial Services, Inc., would not be entitled to "favorable" determinations under the last paragraph of section 2(c). In that event, the Board may rescind the determination referred to in the preceding paragraph.

In any event, if the facts should at any time change in such manner as to indicate that Colorado Financial Services, Inc., might be so engaged, this matter should again be submitted to the Board for another determination in the light of the new facts. A change in facts would include, among other things, any additional acquisitions of bank stock even though not constituting control.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.