

Minutes for March 7, 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

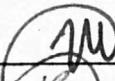
Gov. Robertson

Gov. Shepardson

Gov. Mitchell

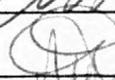
Gov. Daane

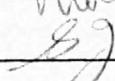
Gov. Maisel

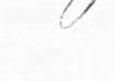












Minutes of the Board of Governors of the Federal Reserve System
on Monday, March 7, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Shepardson
Mr. Mitchell
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Holland, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Daniels, Assistant Director, Division of
Bank Operations
Mr. Leavitt, Assistant Director, Division of
Examinations
Miss Wolcott, Secretary, Board Members' Offices
Mr. Collier, Assistant to the Director, Division
of Bank Operations
Mr. Lyon, Review Examiner, Division of Examinations

Approved items. The following items were approved unanimously 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 items are attached under the numbers indicated.

	<u>Item No.</u>
Letter to Federal Deposit Insurance Corporation regarding the application of State Bank of Escanaba, Escanaba, Michigan, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	1
Letter to Hollywood National Bank, Los Angeles (Hollywood), California, granting its request for permission to continue to maintain reduced reserves.	2

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	<u>Item No.</u>
Letter to Northwest International Bank, New York, New York, approving an amendment to its Articles of Association.	3
Telegram to the Federal Reserve Agent at Richmond authorizing the issuance to The First Virginia Corporation, Arlington, Virginia, of a general voting permit covering its stock of Shenandoah County Bank and Trust Company, National Association, Woodstock, Virginia.	4
Letter to Central National Bank of Jacksonville, Jacksonville, Florida, granting its request for permission to maintain reduced reserves.	5
Letter to the Federal Reserve Bank of San Francisco interposing no objection to its employing architects for the preparation of preliminary plans for a proposed Los Angeles Branch building addition.	6

With respect to Item No. 6, Governor Mitchell requested that a memorandum be prepared by the Division of Bank Operations setting forth, in terms of size and relationship to the areas served, the vault facilities now in existence or under construction at the Federal Reserve Banks and branches. This memorandum would serve as a basis for appraising the amount of vault expansion to be provided at Los Angeles.

Review of operations in domestic securities. There had been distributed a memorandum from Mr. Molony dated March 4, 1966, to which was attached a review of operations in domestic securities prepared by the Manager of the System Open Market Account and proposed for inclusion in the Board's Annual Report for 1965.

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The review was approved for inclusion in the Annual Report.

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

The Secretary was informed later that during the executive session the following actions were taken:

BIS meeting. The Board approved the recommendation in a memorandum from Mr. Young dated March 4, 1966, that Mr. Koch, Deputy Director, Division of Research and Statistics, and Mr. Garvy, Economic Adviser, Federal Reserve Bank of New York, represent the Federal Reserve System at a meeting of central bank economists to be held at the Bank for International Settlements in Basle, Switzerland, April 4-6, 1966; and Mr. Koch was authorized to perform the necessary foreign travel involved.

Foreign mission. Chairman Martin referred to the question that had been raised concerning participation by Mr. Young in a proposed mission to Viet Nam; and after discussion Mr. Young's participation in the mission was authorized, together with such other staff participation as might develop to be necessary. Mr. Young also was authorized to pay visits to other foreign central banks in that area of the world to such extent as might be feasible. These authorizations were given with the understanding that the details of the arrangements would be worked out in a manner satisfactory to the Board member in charge of internal affairs.

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The meeting then adjourned.

Secretary's Notes: At 2:30 p.m. the available members of the Board (Governors Shepardson, Mitchell, and Maisel) received a report from representatives of Raymond Loewy/William Snaith, Inc., on the second phase of the firm's study, under contract dated April 2, 1965, concerning utilization of office space in the Federal Reserve Building. Appropriate members of the Board's staff also were present. The firm's report was based on the material contained in a brochure dated February 1966 (a copy of which has been placed in the Board's files) showing schemes for housing the Division of Research and Statistics on the third floor of the building. Toward the conclusion of the meeting, Governor Shepardson made comments indicating that even if it should be decided to implement plans of this character, it would appear necessary to defer such implementation pending the availability of an annex building due to lack of space in which affected Board operations could be accommodated while the renovations were in process.

Attached as Item No. 7 is a copy of a letter sent today to Chairman Tarver of the Federal Reserve Bank of Atlanta advising of approval of a contract between the Bank and President Patterson relating to the latter's retirement allowance. The contract had been approved on behalf of the Board by the Secretary pursuant to the action taken by the Board on January 26, 1966.

There was sent today to The Chase Manhattan Bank (National Association), New York, New York, a letter acknowledging receipt of notice of its intent to establish an additional branch in Germany, to be located in Duesseldorf. The letter noted that no capital investment would be required to establish the branch.

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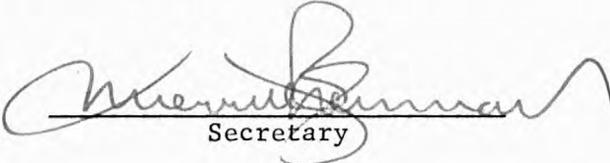
There was sent today to Bank of America National Trust and Savings Association, San Francisco, California, a letter acknowledging receipt of notice of its intent to establish an additional branch in Panama, to be located in Panama City. The letter noted that establishment of the branch would not require an additional capital expenditure and that the expenses involved in opening the branch would be nominal.

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

Memorandum from the Division of Research and Statistics dated March 4, 1966, recommending that a new position with the title of Assistant to the Director be established in that Division.

Memorandum from the Division of Bank Operations dated March 4, 1966, recommending that two new positions be established in the Operations Analysis Section of that Division, with titles of Analyst or Technical Assistant depending on qualifications of the applicants.

Memorandum from Patric Hendershott, Economist, Division of Research and Statistics, requesting permission to teach a graduate course in Monetary Theory at Georgetown University.


Secretary

Item No. 1
3/7/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1966



Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of February 21, 1966, concerning the application of State Bank of Escanaba, Escanaba, Michigan, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

There have been no corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no such programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 2
3/7/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1966



Board of Directors,
Hollywood National Bank,
Los Angeles (Hollywood), California.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Hollywood National Bank to continue to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opened a branch in Los Angeles.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 3
3/7/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1966

Northwest International Bank,
40 Wall Street,
New York, New York. 10005

Gentlemen:

Reference is made to your letter of February 15, 1966,
requesting permission to amend the Articles of Association of your
Corporation as follows:

Insert following Article ELEVENTH a new article to
read as follows:

"TWELFTH. Each director or officer of this Corporation,
whether or not then in office, shall be indemnified by
the Corporation against reasonable expense (including
counsel fees), incurred by him in connection with any
action, suit or proceeding to which he may be made a
party by reason of his being or having been a direc-
tor or officer of the Corporation, except in relation
to matters as to which he shall finally be adjudged
in such action, suit or proceeding to have been
derelict in the performance of his duties as such
director; and the foregoing right of indemnification
shall not be exclusive of other rights to which he
may be entitled as a matter of law."

Renumber present Article TWELFTH from "TWELFTH" to
"THIRTEENTH."

The Board of Governors approves the amendment to your
Articles of Association.

Very truly yours,
(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**
WASHINGTONItem No. 4
3/7/66

March 7, 1966

HYDE--RICHMOND

KEBJE

- A. The First Virginia Corporation, Arlington, Virginia.
- B. Shenandoah County Bank and Trust Company, National Association, Woodstock, Virginia.
- C. Prior to issuance of permit authorized herein, Applicant shall execute and deliver to you, in duplicate, an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

(Signed) Karl E. Bakke
BAKKE

Definition of KEBJE

The Board authorizes the issuance of a general 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" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
3/7/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1966

Board of Directors,
Central National Bank of Jacksonville,
Jacksonville, Florida.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Central National Bank of Jacksonville to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 6
3/7/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1966

Mr. Eliot J. Swan, President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120.

Dear Mr. Swan:

This refers to your letter of February 16, 1966, outlining needs of the Los Angeles Branch for additional vault and working space and facilities for automobile parking.

The Board of Governors will interpose no objection to your Bank's employment of architects for the preparation of preliminary plans for the proposed building addition for the Los Angeles Branch of your Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
3/7/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 7, 1966.



CONFIDENTIAL (FR)

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

Dear Mr. Tarver:

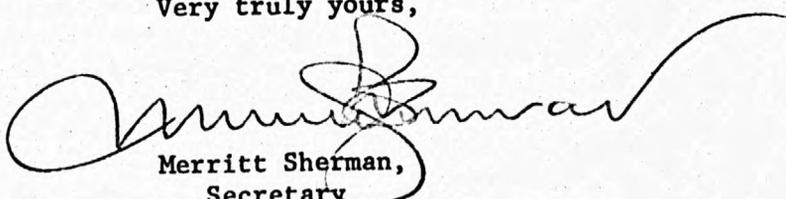
This refers to your letter of February 18, 1966, enclosing executed copies of a contract entered into between the Federal Reserve Bank of Atlanta and President Patterson, providing for a minimum retirement allowance for Mr. Patterson after his retirement under certain conditions.

While it is noted that the contract was not dated, we have supplied the dating to agree with the content of your letter of February 18 in which you show the execution of the contract at your regular meeting on February 11, 1966.

The Board of Governors approves the contract as entered into between the Bank and President Patterson on February 11, 1966, and the Secretary of the Board of Governors has affixed his signature in the place indicated in the agreement.

One executed copy has been retained for the Board's files and the other two copies are enclosed with this letter.

Very truly yours,


Merritt Sherman,
Secretary

Enclosures 2

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.

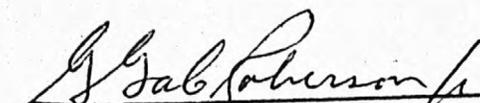
Witness our hands and seals this 11th day of February, 1966.


 HAROLD T. PATTERSON

FEDERAL RESERVE BANK OF ATLANTA

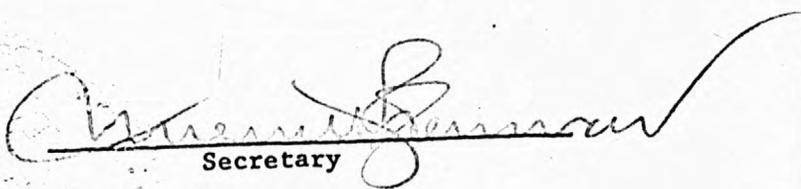
By 
 Chairman of Board of Directors

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.

March 7, 1966.
 (Date)


 Secretary