

Minutes for March 10, 1966

To: Members of the Board

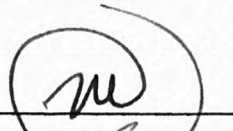
From: Office of the Secretary

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.

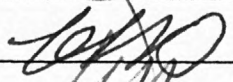
Chm. Martin



Gov. Robertson



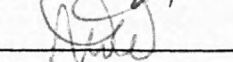
Gov. Shepardson



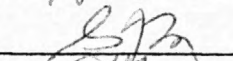
Gov. Mitchell



Gov. Daane



Gov. Maisel



Gov. Brimmer



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

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Young, Senior Adviser to the Board and
Director, Division of International Finance
Mr. Holland, Adviser to the Board
Mr. Solomon, 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. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Reynolds, Adviser, Division of International
Finance
Mr. Kiley, Assistant Director, Division of Bank
Operations
Mr. Leavitt, Assistant Director, Division of
Examinations
Miss Wolcott, Secretary, Board Members' Offices
Messrs. Egertson and Maguire, Supervisory Review
Examiners, Division of Examinations

The Chairman noted the presence of Governor Andrew F. Brimmer, who had taken his oath of office yesterday to serve as a member of the Board of Governors for the term ending January 31, 1980.

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on March 8, 1966, of the rates on discounts and

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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 and clarification of particular points about which members of the Board inquired. Copies of the items are attached under the respective numbers indicated.

	<u>Item No.</u>
Letter to Wells Fargo Bank, San Francisco, California, approving an extension of time to establish a branch in Monterey.	1
Letter to Clearfield Trust Company, Clearfield, Pennsylvania, approving the establishment of a branch in Lawrence Township.	2
Letter to The Detroit Bank and Trust Company, Detroit, Michigan, approving the establishment of a branch in Ferndale.	3
Letters to Bank of Dearborn, Dearborn, Michigan, approving the establishment of branches at 15245 West Warren Avenue and adjacent to 22199 Michigan Avenue.	4-5
Letter to State Savings Bank of Fenton, Fenton, Michigan, approving retirement of its outstanding preferred stock.	6
Letter to the Federal Deposit Insurance Corporation regarding the application of Bucks County Bank and Trust Company, Perkasio, Pennsylvania, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	7
Letter to the Federal Reserve Bank of New York regarding 1965 operations of regional check clearing arrangements.	8

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Item No.

Telegram to the Presidents of all Federal Reserve Banks discontinuing certain coin procedures.

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With respect to Item No. 8, Governor Mitchell noted that the regional check clearing arrangements in the New York District had been instituted a number of years ago. In view of changes in the processing of checks brought about by automation, he wondered whether the value of these arrangements might not have diminished. He suggested that the Division of Bank Operations prepare a memorandum on the subject so that the Board would be in position to make a judgment.

With respect to Item No. 9, current developments as to the availability of coin indicated that, except for half dollars, a surplus of coin was emerging, with an attendant storage problem, rather than a shortage. Although the Board, in its letter S-1924 of August 13, 1964, (F.R.L.S. #3049), had instructed the Reserve Banks to follow certain procedures designed to relieve the coin shortage until such time as the Secretary of the Treasury, as provided in bill S. 2950, should determine that adequate supplies of coin were available, the tie-in with this terminal date was voluntary so far as the Board was concerned. Present indications were that it was now appropriate to change those procedures.

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the merger of The Short Hills National Bank, Short Hills, New Jersey, into Montclair

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National Bank and Trust Company, Montclair, New Jersey, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed merger of The Short Hills National Bank into Montclair National Bank and Trust Company would have no significant adverse effects on competition.

Financial Institutions Supervisory Act of 1966 (Item No. 10).

On February 18, 1966, the Board considered a request from the Bureau of the Budget for a report on a proposed bill to amend the Federal Deposit Insurance Act, the principal effect of which would have been to provide the Federal Deposit Insurance Corporation with cease and desist and other enforcement powers. The Board replied that it favored the general purpose of such legislation, but expressed the view that any such authority should be given to each of the three Federal bank supervisory agencies for application to the banks under their respective supervisory jurisdictions. The Comptroller of the Currency made a similar recommendation.

There had now been distributed a memorandum from the Legal Division dated March 9, 1966, reporting on an amended legislative proposal subsequently drafted by a working group composed of representatives of the Federal Home Loan Bank Board, Federal Deposit Insurance Corporation, Comptroller of the Currency, and the Board of Governors. (The deliberations of this group were discussed at the Board meeting on February 25.) This bill, tentatively entitled "Financial Institutions Supervisory Act of 1966", placed the proposed prohibition and enforcement powers in the

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Federal Home Loan Bank Board with respect to insured savings and loan associations and in the three Federal bank supervisory agencies for application in dealing with banks under their supervision. The Bureau of the Budget had requested general clearance or approval by the respective agencies no later than March 10.

In reviewing the proposed legislation in the light of the memorandum, Mr. O'Connell noted that the main purpose of the bill was to provide statutory authority and administrative facility for the correction of unsound and unlawful practices by banks and their officers and directors. The basic provisions of the proposed legislation would grant the respective supervisory agencies authority (1) to issue cease and desist orders requiring a respondent bank and its directors, officers, employees, and agents to cease and desist from specified conduct and actions, and (2) to remove after hearing, and suspend pending such hearing, directors or officers of a bank. A temporary cease and desist order could be issued without a prior hearing in circumstances necessitating immediate action; a permanent order would require a hearing before action could be taken. The proposal specified that hearings would be private unless otherwise ordered for "good cause found" and would be fixed for a date not earlier than 30 days nor later than 60 days after service of notice of proposed agency action, unless a later date had been requested by respondent.

Mr. O'Connell indicated that the provision giving the agencies discretionary power in making a hearing public "for good cause found"

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was opposed by the Federal Deposit Insurance Corporation, which favored permitting public hearings only at the request of the bank or individual involved. The proposed language had been drafted by Mr. O'Connell and was concurred in by the representatives of the Federal Home Loan Bank Board and the Comptroller of the Currency. The Department of Justice opposed the provision requiring a hearing no later than 60 days after service of notice, since it desired maximum working time within which to prepare any possible criminal case. Mr. O'Connell favored the 60-day provision, but had taken no firm position.

Following discussion of the memorandum and of the points brought out by Mr. O'Connell's presentation, the Board authorized Mr. O'Connell to advise the Bureau of the Budget that the proposed legislation had received general clearance by the Board and that a letter would be forthcoming. A copy of the letter subsequently sent is attached as Item No. 10.

Open Market Committee policy record. At the meetings on January 20 and 25, 1966, the Board approved for inclusion in its 1965 Annual Report the record of policy actions of the Federal Open Market Committee for the year 1965. There had now been distributed a letter dated March 4, 1966, from Mr. Coombs, Special Manager of the System Open Market Account, suggesting certain deletions from the entries of September 8 and November 23, relating to foreign currency operations affecting the British pound and the Italian lira. Mr. Coombs pointed

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out that the policy record entries, as approved, contained certain information not disclosed by the foreign central banks concerned and that the U.S. Treasury also would prefer not to have this information disclosed.

After discussion, it was agreed that the policy record entries for September 8 and November 23 would be revised in accordance with Mr. Coombs' suggestion.

The meeting then adjourned.

Secretary's Notes: On March 9, 1966, Governor Shepardson approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increase

Lovair Dingle, Messenger-Driver, Division of Administrative Services, from \$3,626 to \$3,943 per annum, effective March 13, 1966.

Transfers

Louis Weiner, from the position of Chief, National Income, Labor Force, and Trade Section, Division of Research and Statistics, to the position of Assistant to the Director of that Division, with an increase in basic annual salary from \$20,595 to \$21,185, effective March 14, 1966.

Murray S. Wernick, from the position of Senior Economist, Division of Research and Statistics, to the position of Chief, National Income, Labor Force, and Trade Section, with an increase in basic annual salary from \$20,005 to \$20,595, effective March 14, 1966.

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

Letter to the Federal Reserve Bank of Atlanta (attached Item No. 11) approving the appointment of Eugene C. Neithold as assistant examiner.

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Letter to the Federal Reserve Bank of St. Louis (attached Item No. 12) approving the appointment of Charles Ray Halbrook as assistant examiner.

Letter to Mr. Scanlon, Chairman of the Presidents' Conference Committee on Collections, interposing no objection to the continued service of John R. Farrell and Howard H. Hackley as associate members of the Subcommittee on Collections and the Subcommittee of Counsel on Collections, respectively.

Letter to Mr. Strothman (in the absence of Mr. Galusha, Chairman of the Presidents' Conference Committee on Personnel) interposing no objection to the continued service of E. J. Johnson as associate member of the Subcommittee on Personnel.

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

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

Appointment

J. William Via, Jr., as Senior Attorney, Legal Division, with basic annual salary at the rate of \$11,723, effective March 11, 1966.

Salary increases, effective March 13, 1966

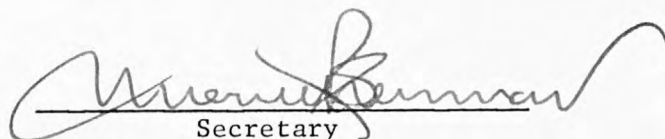
Helen M. Kline, Secretary, Division of Bank Operations, from \$6,854 to \$7,046 per annum.

Frank C. Guth, Jr., Review Examiner, Division of Examinations, from \$13,815 to \$14,250 per annum.

Mary Ellen Miller, Stenographer, Division of Examinations, from \$4,641 to \$4,797 per annum.

Clifton Johnson, Mail Clerk-Messenger, Division of Administrative Services, from \$3,943 to \$4,072 per annum.

Lowell M. Glenn, Analyst, Division of Data Processing, from \$7,479 to \$7,733 per annum.


Secretary

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

WASHINGTON, D. C. 20551

Item No. 1
3/10/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 10, 1966

Board of Directors,
Wells Fargo Bank,
San Francisco, California. 94120

Gentlemen:

The Board of Governors of the Federal Reserve System extends to September 26, 1966, the time within which Wells Fargo Bank, San Francisco, California, may establish a branch in the Del Monte Shopping Center on Old Capitol Site on Carmel Hill, Monterey, 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. 2
3/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1966

Board of Directors,
Clearfield Trust Company,
Clearfield, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Clearfield Trust Company, Clearfield, Pennsylvania, of a branch in the Ames Department Store Shopping Center on Clearfield-Curwensville Highway (U.S. Route 322), Lawrence Township, Clearfield County, Pennsylvania, 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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1966

Board of Directors,
The Detroit Bank and
Trust Company,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Detroit Bank and Trust Company, Detroit, Michigan, of a branch at 940 East Nine Mile Road, Ferndale, Oakland County, Michigan, 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. 4
3/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1966

Board of Directors,
Bank of Dearborn,
Dearborn, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of Dearborn, Dearborn, Michigan, of a branch at 15245 West Warren Avenue, Dearborn, Michigan, 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. 5
3/10/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 10, 1966

Board of Directors,
Bank of Dearborn,
Dearborn, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch (drive-in) to be located adjacent to 22199 Michigan Avenue, Dearborn, Michigan, by Bank of Dearborn, Dearborn, Michigan, 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.)

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Item No. 6
3/10/66

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 10, 1966

Board of Directors,
State Savings Bank of Fenton,
Fenton, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves under the provisions of Section 9 of the Federal Reserve Act the retirement by State Savings Bank of Fenton, Fenton, Michigan, of the \$100,000 preferred stock outstanding.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 7
3/10/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 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 24, 1966, concerning the application of Bucks County Bank and Trust Company, Perkasio, Pennsylvania, 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.

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

Item No. 8
3/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1966

Mr. M. A. Harris, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045.

Dear Mr. Harris:

Receipt is acknowledged of your February 16 letter reporting the 1965 operations of the check clearing bureaus of the Long Island Bankers Association, Inc., and the Bergen County Clearing Association.

The Board notes particularly that the two bureaus continue to provide efficient check collection services at a saving to your Bank, with significant benefits to the participating banks and their depositors, and sees no reason for any change at this time in the basic agreements concerning this service.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 9
3/10/66**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**
WASHINGTON

March 10, 1966

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:

Referring Board's letter of August 13, 1964 (F.R.L.S. #3049) and action of February 28, 1966, Presidents' Conference regarding practices originally adopted to relieve coin shortage, Board agrees that practice of paying transportation costs on coin shipments from nonmember banks and of accepting deposits of wrapped coin no longer serve purpose for which intended, and that such practices should be discontinued by all Banks as soon as appropriate notice of change can be given. Board also agrees that rebagging of new dimes may be discontinued. Board assumes that rebagging of halves will continue until further advice.

(Signed) Merritt Sherman

SHERMAN

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 10
3/10/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 14, 1966

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Hughes:

By letter of February 18, 1966, the Board submitted to the Bureau of the Budget its views on the Federal Deposit Insurance Corporation's draft bill, "To amend the Federal Deposit Insurance Act to authorize the issuance of cease-and-desist orders, and for other purposes." The Board concurred in the Corporation's opinion as to the benefit to the banking industry and public from enactment of the proposed legislation, but stated that it favored conferring the general powers of prohibition and enforcement reflected in the Corporation's bill on the three Federal bank supervisory authorities with regard to banks under their respective regulatory and supervisory jurisdictions.

Subsequent to the submission of the Board's views, staff representatives of the Federal Home Loan Bank Board, the three Federal bank supervisory agencies, and the Bureau of the Budget have conferred at length for the purpose of preparing a proposed bill that would give to each of the agencies concerned the proposed supervisory and regulatory authority over financial institutions under their respective jurisdictions. The product of these conferences, the proposed "Financial Institutions Supervisory Act of 1966", TITLE I of which contains provisions relating to the Federal Home Loan Bank Board and the Federal Savings and Loan Insurance Corporation, and TITLE II of which contains provisions relating to the three Federal bank supervisory agencies, appears to the Board to provide the respective Federal supervisory agencies concerned with sufficient additional authority and flexibility as to enforce, effectively and fairly, existing laws, regulations, and principles of safe and sound practices. Accordingly, the Board approves the general content and approach of the bill, particularly the provisions of TITLE II relating to the three Federal bank supervisory agencies.

Mr. Phillip S. Hughes

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The Board understands that the language of certain of the bill's provisions is still under study and subject to change or modification. Specifically, it is understood that the Department of Justice has raised question as to the provision in subsection (g)(4) of TITLE I and subsection (e)(4) of TITLE II that would require, no later than 60 days following service of notice of intention to remove a director, officer, or other person from office, commencement of a hearing relative to such notice. A later date for such hearing may be set by the agency at the request of the affected party. While the Board favors retention of the 60-day provision, it would not object to an amendment of that provision that would permit, at the discretion of the agency, an extension of the 60-day period at the request of the Attorney General of the United States or of any State.

An additional provision of the proposed bill as to which there appears to be lack of unanimity among the agencies concerned is that in subsection (j)(1) of TITLE I and subsection (h)(1) of TITLE II, which makes private any hearing conducted pursuant to the provisions of these titles "unless otherwise ordered for good cause found". The Board is advised that the Federal Home Loan Bank Board and the Comptroller of the Currency concur in the Board's view that the agency involved should have discretion, either at the request of any party afforded a hearing or at its own initiative, to order the conduct of a public hearing. It is understood that the Federal Deposit Insurance Corporation opposes an agency's right to order a public hearing except in the single instance where the party afforded the hearing so requests. The Board recognizes that the assertion can be made that an agency's authority to conduct a public hearing under this Act over the objection of or in the absence of consent by the respondent in the hearing gives to the agency authority that could be used to compel pre-hearing compliance or acquiescence on the part of a respondent. In the opinion of the Board, the potential for such indiscriminate agency action is no greater in the circumstances discussed than is offered with respect to numerous supervisory and regulatory powers now available to Federal financial institutions' supervisory authorities.

It is submitted that the record of use by these supervisory authorities of existing statutory powers offers formidable assurance of judicious and reasoned use of the hearing powers contained in the proposed bill. It appears to the Board that a greater potential for harm would be offered if circumstances were presented that strongly warranted a public hearing and, because the respondent opposed such hearing, the agency was powerless to order it. Accordingly, the Board urges retention of the present language of subsections (j)(1) and (h)(1).

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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Item No. 11
3/10/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1966

Mr. R. M. Stephenson, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Stephenson:

In accordance with the request contained in your letter of March 7, 1966, the Board approves the appointment of Eugene C. Neithold as an assistant examiner for the Federal Reserve Bank of Atlanta. Please advise the effective date of the appointment.

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. 12
3/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 10, 1966

Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166

Dear Mr. Wyrick:

In accordance with the request contained in your letter of March 4, 1966, the Board approves the appointment of Charles Ray Halbrook as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

The authorization given your bank to designate Mr. Halbrook as a special assistant examiner will be canceled as of the effective date of his appointment as an assistant examiner.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.