

Minutes for April 11, 1966

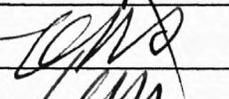
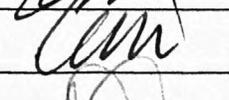
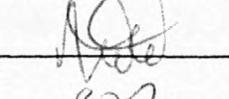
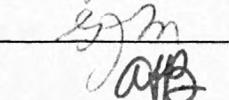
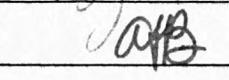
To: Members of the Board

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. Shepardson | <u></u> |
| Gov. Mitchell | <u></u> |
| Gov. Daane | <u></u> |
| Gov. Maisel | <u></u> |
| Gov. Brimmer | <u></u> |

Minutes of the Board of Governors of the Federal Reserve System on Monday, April 11, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Holland, Adviser to the Board
Mr. Solomon, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Miss Eaton, General Assistant, Office of the Secretary

Messrs. Brill, Garfield, Williams, Axilrod, Sigel, Smith, de Leeuw, Eckert, Gehman, Keir, Thompson, Trueblood, and Wernick of the Division of Research and Statistics

Messrs. Sammons, Irvine, Katz, Reynolds, Wood, Gekker, Gemmill, Hayes, Klein, and Nettles of the Division of International Finance

Mr. Austin, Economist, Federal Reserve Bank of Cleveland

Economic review. The Division of International Finance reported on international financial conditions, following which the Division of Research and Statistics presented information relating to the domestic economy. The staff then responded to questions by members of the Board concerning the presentations, which were based to some extent on material prepared and distributed by the staff for the purpose of

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tomorrow's meeting of the Federal Open Market Committee. Copies of the relevant documents have been placed in the files of the Committee.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Molony, Fauver, Smith, and Austin, and Miss Eaton and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Shay, Assistant General Counsel
 Mr. Leavitt, Assistant Director, Division of Examinations
 Messrs. Heyde and Via of the Legal Division
 Messrs. Egertson, McClintock, Poundstone, and Sanford of
 the Division of Examinations

Approved items. The following items, copies of which are attached to these minutes under the respective numbers indicated, were approved unanimously after consideration of background material that had been made available to the Board:

| | <u>Item No.</u> |
|---|-----------------|
| Letter to Manufacturers and Traders Trust Company, Buffalo, New York, approving the establishment of a branch (mobile banking facility) in the Town of Boston. | 1 |
| Letter to Chase Manhattan Overseas Banking Corporation, New York, New York, approving an amendment to its Articles of Association and acquisition of shares of Privat-und Kommerzbank, Vienna, Austria. | 2 |
| Letter to the Federal Deposit Insurance Corporation regarding the application of The Hicksville Bank, Hicksville, Ohio, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 3 |

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| | <u>Item No.</u> |
|---|-----------------|
| Letter to the Federal Deposit Insurance Corporation regarding the application of State Bank of Kewaunee, Kewaunee, Wisconsin, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 4 |
| Letters to United California Bank, Los Angeles, California, approving the establishment of branches at specified locations in San Jose and Fresno. | 5-6 |
| Letters to Wells Fargo Bank, San Francisco, California, approving the establishment of branches at specified locations in Danville and Sonora. | 7-8 |

Application of Harter Bank & Trust Company. There had been distributed a memorandum from the Division of Examinations dated April 5, 1966, and other pertinent papers regarding the application of The Harter Bank & Trust Company, Canton, Ohio, to merge The Waynesburg Bank, Waynesburg, Ohio. The Division recommended approval.

Following summary comments by Mr. Egertson based on the material that had been distributed, the application was approved unanimously, with the understanding that an order and statement would be drafted for the Board's consideration.

Philadelphia merger cases. In accordance with the understanding at the meeting of the Board on April 4, 1966, there had been distributed under date of April 7 (1) a memorandum from the Legal Division concerning a letter of March 7, 1966, from the Comptroller of the

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Currency criticizing the Board's adverse competitive factor report on the recently-approved proposed merger of Provident National Bank and Central-Penn National Bank, both of Philadelphia, Pennsylvania, and making comparisons with another Philadelphia merger previously approved by the Board, and (2) a draft of possible reply to the Comptroller. At this meeting Mr. Shay distributed certain additional language that might be included in the draft reply.

In comments supplementing the memorandum, Mr. Shay said it was his initial view, after the letter was received, that it need not be answered. As he saw it, all the Board could do was, as indicated in the draft reply, to point out the differences between the considerations involved in a competitive factor report and a merger case decision.

Governor Maisel noted that he had made the suggestion that the Board consider a possible answer because the Comptroller's letter contained several incorrect statements. If the Board was going to answer the letter--and on that he could go either way--he would propose that the reply be much stronger than the draft. He outlined the type of language he would have in mind.

Chairman Martin commented that originally he had felt it would be better to do nothing. However, upon reading the draft letter he thought it might help to clarify the issue, particularly

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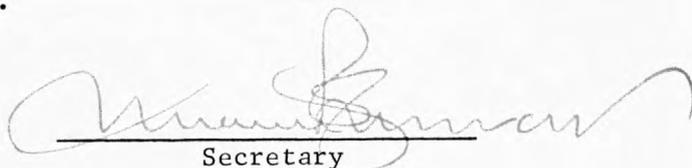
if Governor Maisel's language was included. Whether or not it would be useful at this juncture, he did not know. Much might depend on whether people read it carefully.

There followed discussion of various aspects of the matter such as the role of competitive factor reports, efforts by the Board in the past to clarify the nature and function of such reports, the apparently increasing tendency of the Comptroller to release various pieces of interagency correspondence to the public, and the manner in which a Board reply to the March 7 letter might be construed in relation to the current litigation on the proposed Philadelphia merger, which had been made the subject of antitrust proceedings by the Department of Justice.

Chairman Martin then suggested that in the circumstances there was a good deal to be said for making no reply. He inquired whether any members of the Board felt strongly that the matter should not be dropped, and there was no indication to such effect. Accordingly, it was understood that no reply would be sent.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board a memorandum from John A. Devera, Operator, Tabulating Equipment, Division of Data Processing, requesting permission to engage in part-time work at a boat dock in Occoquan, Virginia.


Secretary

Item No. 1
4/11/66

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 1966



Board of Directors,
Manufacturers and Traders Trust Company,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers and Traders Trust Company, Buffalo, New York, of a branch (mobile banking facility) on the east side of U. S. Route 219, about 300 feet south of its intersection with State Route 277, Town of Boston (unincorporated area), Erie County, 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
4/11/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 1966.

Chase Manhattan Overseas
Banking Corporation,
1 Chase Manhattan Plaza,
New York, New York. 10005

Gentlemen:

Reference is made to your letter dated February 23, 1966, enclosing a consent signed under date of February 23, 1966, on behalf of The Chase Manhattan Bank (National Association), sole shareholder of your Corporation, consenting to the amendment of the Articles of Association of your Corporation to increase the capital stock to \$13,717,000, consisting of 13,717 shares of par value of \$1,000 each. The Board of Governors approves the amendment to Article SEVENTH of your Articles of Association. Please advise the Board of Governors when the capital increase has been effected.

As requested in your letter, the Board of Governors grants consent for Chase Manhattan Overseas Banking Corporation ("CMOBC") to purchase and hold up to 100 per cent of the shares of Privat-und Kommerzbank ("Kommerzbank"), Vienna, Austria, at a cost of approximately \$1,412,150, provided such shares are acquired within one year from the date of this letter.

The Board's consent to the proposed purchase and holding of shares of Kommerzbank by CMOBC is granted subject to the following conditions:

- (1) That CMOBC shall not hold, directly or indirectly, any shares of stock in Kommerzbank if Kommerzbank at any time fails to restrict its activities to those permissible to a corporation in which a corporation organized under Section 25(a) of the Federal Reserve Act could, with the consent of the Board of Governors, purchase and hold stock, or if Kommerzbank establishes any branch or agency or takes any action or undertakes any operation in Austria or elsewhere, in any manner, which at the time would not be permissible to CMOBC;

Chase Manhattan Overseas
Banking Corporation

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- (2) That, when required by the Board of Governors, CMOBC will cause Kommerzbank (a) to permit examiners selected or auditors approved by the Board of Governors to examine Kommerzbank and (b) to furnish the Board of Governors with such reports as it may require from time to time;
- (3) That CMOBC shall not carry on its books the shares of Kommerzbank at a net amount in excess of its proportionate share of the book capital accounts of Kommerzbank, after giving effect to the elimination of all known losses; and
- (4) That any share acquisitions or dispositions by Kommerzbank be reported under Section 211.8(d) of Regulation K in the same manner as if Kommerzbank were a corporation organized under Section 25(a) of the Federal Reserve Act.

Upon completion of the proposed transaction, it is requested that the Board of Governors be furnished a translation of the amended Articles of Association and By-Laws of Kommerzbank.

Subject to continuing observation and review, the Board suspends, until further notice, the provisions of subparagraph (1) of the third paragraph of this letter so far as they relate to restrictions on loans granted by Kommerzbank in Austria in the currency of that country.

The foregoing consent is given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation, The Chase Manhattan Bank (National Association), and Chase International Investment Corporation will not cause the total of such loans and investments to exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein. The Board considers that compliance with the priorities expressed in Guideline 4 would require that total nonexport credits to developed countries in Continental Western Europe not exceed the amount of such loans and investments as of the end of 1965, unless this can be done without inhibiting the bank's ability to meet all reasonable requests for priority credits within the over-all target.

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
4/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 1966



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

Dear Mr. Randall:

Reference is made to your letter of March 25, 1966, concerning the application of The Hicksville Bank, Hicksville, Ohio, 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 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. 4
4/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 1966



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

Dear Mr. Randall:

Reference is made to your letter of March 24, 1966, concerning the application of State Bank of Kewaunee, Kewaunee, Wisconsin, 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 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. 5
4/11/66

**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

April 11, 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 in the vicinity of North First Street and Gish Road, San Jose, California, 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
4/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 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 in the vicinity of Blackstone and Garland Avenues, Fresno, California, 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. 7
4/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 1966



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the vicinity of the intersection of San Ramon Valley Boulevard and Town and Country Drive, Danville, Contra Costa County, California, 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. 8
4/11/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 11, 1966

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch on South Washington Street, in the downtown section of Sonora, Tuolumne County, California, 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.)