

Minutes for April 29, 1966

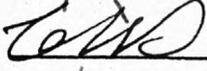
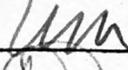
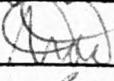
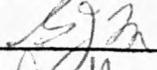
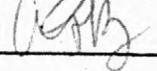
To: Members of the Board

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 Friday, April 29, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson, Vice Chairman
Mr. Shepardson
Mr. Mitchell
Mr. Daane
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. Farrell, Director, Division of Bank Operations
Mr. Johnson, Director, Division of Personnel
Administration
Miss Eaton, General Assistant, Office of the
Secretary
Mr. Furth, Consultant

Messrs. Brill, Koch, Bernard, Ettin, Fry, and
Keir, and Mrs. Peskin of the Division of
Research and Statistics

Messrs. Sammons, Hersey, Katz, Reynolds, Baker,
and Gemmill of the Division of International
Finance

Money market review. Mr. Bernard reported on the Government securities market and on developments in aggregate reserves, following which there was a general discussion of open market operations in the light of reserve statistics and the directive adopted by the Federal

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Open Market Committee at its last meeting. Mr. Reynolds then reported on the foreign exchange markets and on the U.S. balance of payments. Tables were distributed, incident to today's review, on money and capital market perspective, bank reserve utilization, and rates of change in financial and monetary indicators, as well as on the balance of payments.

All members of the staff except Messrs. Sherman, Kenyon, Molony, Cardon, Fauver, Brill, Farrell, and Johnson, and Miss Eaton withdrew at this point and the following entered the room:

Mr. Hackley, General Counsel
Mr. Kelleher, Director, Division of Administrative Services
Mr. Kakalec, Controller
Mr. Hexter, Associate General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Heller, Senior Attorney, Legal Division
Mr. Robinson, Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Millea, Assistant to the Controller

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, and Dallas on April 28, 1966, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Approved items. The following items, copies of which are attached to these minutes under the respective numbers indicated,

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were approved unanimously after consideration of background material that had been made available to the Board and clarification of points of information about which members of the Board inquired:

	<u>Item No.</u>
Letter to Norfolk County Trust Company, Brookline, Massachusetts, approving the establishment of a branch on Washington Street.	1
Letter to Manufacturers Hanover Trust Company, New York, New York, granting an extension of time to establish a branch at 111-121 William Street, Borough of Manhattan.	2
Letter to Bank of Burlington, Burlington, Wisconsin, approving the establishment of a branch at 432 Dodge Street.	3
Letter to Farmers and Merchants Bank of Long Beach, Long Beach, California, granting an extension of time to establish a branch in Bellflower.	4
Letter to Bank of the Commonwealth, Detroit, Michigan, approving the establishment of a branch in Nankin Township.	5
Letter to Mid-Continent National Bank, Kansas City, Missouri, granting its request for permission to maintain reduced reserves.	6
Letter to the Federal Reserve Bank of Atlanta approving the payment of salary to Billy H. Hargett as Assistant Vice President at the rate fixed by the Bank's Board of Directors.	7

Status of International Bank (Item No. 8). There had been distributed a memorandum from the Legal Division dated April 27, 1966, regarding the status of International Bank, an Arizona corporation with headquarters in Washington, D. C., as a bank holding company.

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By letter dated January 13, 1966, sent pursuant to the discussion at the meeting on January 12, the Board instructed the Federal Reserve Bank of Richmond to advise International Bank that it appeared to be a bank holding company under the Bank Holding Company Act but that, before final action by the Board, it would be afforded an opportunity to present additional arguments. In a letter dated March 15, 1966, International Bank presented arguments in support of its position that it should not be deemed to be a bank holding company. The arguments were, in substance, elaborations of those previously presented in Financial General Corporation's letter of December 21, 1964, addressed to the Richmond Reserve Bank. The main argument presented was that International Bank should not be deemed to be a bank holding company because its control of banks in the U.S. stemmed from its ownership of stock in Financial General, which was exempted from regulation under the Bank Holding Company Act. However, in the opinion of the Legal Division, that contention lacked merit and offered no persuasive reason why the Board should change its position on the matter, as tentatively expressed in the letter of January 13. The Legal Division, accordingly, recommended that International Bank be informed that its arguments had failed to persuade the Board to change its position and that it was subject to the provisions of the Act.

After discussion of the steps that International Bank apparently could take, if it so elected, to escape from the definition of "bank

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holding company" under the Act, unanimous approval was given to the letter to International Bank of which a copy is attached to these minutes as Item No. 8.

Mrs. Heller and Mr. Robinson then withdrew from the meeting.

Depositors Trust Company (Item No. 9). There had been distributed a memorandum from the Legal Division dated April 28, 1966, regarding a question presented by the plan of Depositors Trust Company, Augusta, Maine, to organize a holding company to own stock of Depositors and also The Liberty National Bank, Ellsworth, Maine.

Depositors Trust held an option to acquire most of the stock of Liberty National in exchange for stock of Depositors, which option would expire about the end of July 1966. Believing that the holding company could not be established by that time, Depositors proposed to acquire the stock of Liberty pursuant to the option and to transfer that stock to the holding company when it was established.

In a letter to The Chase Manhattan Bank (National Association) dated November 3, 1965, the Board took the position that acquisition by Chase of the stock of Liberty National Bank and Trust Company of Buffalo, New York, would violate the provision of section 5136 of the Revised Statutes that prohibits a national bank from purchasing corporate stocks for its own account (which prohibition is made applicable to State member banks by section 9 of the Federal Reserve Act). The proposed reply to Depositors Trust would take the same position, since the

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two cases were substantially similar. In order to apprise Depositors fully of the statutory obstacles to its interim plan, the proposed reply would also mention the voting permit provisions of the Federal banking laws.

After discussion, the letter to Depositors Trust Company of which a copy is attached to these minutes as Item No. 9 was approved unanimously, with the understanding that an interpretation based thereon would be published in the Federal Register and the Federal Reserve Bulletin.

San Francisco National Bank matter. Mr. O'Connell reported, with regard to the suits that had been instituted against the Federal Reserve Bank of San Francisco and others in connection with the San Francisco National Bank matter, that the Federal District Court had dismissed the suits insofar as the Reserve Bank was concerned. This decision was, of course, subject to appeal. A complicating factor was that the decision was understood to be based in part on a finding by the court that the Federal Reserve Banks were agencies or instrumentalities of the Federal Government. Mr. O'Connell indicated that he would review with the Reserve Bank and its counsel the implications of this finding, particularly in the event an appeal was filed. It was understood that Mr. O'Connell would keep the Board advised of developments.

Travel regulations (Item No. 10). Continuing the discussion at yesterday's meeting with respect to changes in the Board's travel

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regulations suggested in a memorandum from Governor Shepardson dated April 25, 1966, Governor Shepardson said that he would now like to suggest certain additional changes.

First, as to reimbursement for expenses of members of the Board, he would propose to include an option of \$10 per diem plus actual cost of room, in addition to the existing options of \$20 per diem or actual necessary travel expense (and the additional existing option of per diem in accordance with the Standardized Government Travel Regulations when traveling outside the continental United States).

Second, on the matter of taxi fares, he would propose to allow such fares, except for the field examining staff, between place of abode or place or places of business for the first five (rather than three) days in any one city.

Third, as to the general statement of Board policy concerning official travel, it had been proposed that the first paragraph state that when such travel was necessary, either within or outside the continental United States, it would be accomplished with due regard to cost as well as to the comfort, convenience, and business needs of the traveler, including the proprieties of the meeting attended or the needs of senior officials whom the traveler might be accompanying, this to apply particularly to class of air transportation and choice of hotel accommodations. He would now suggest that at the beginning of the

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succeeding paragraph (providing guidelines on air transportation) the clause "except as provided above" be inserted.

The other members of the Board expressed agreement with the proposed change in the paragraph relating specifically to travel by members of the Board. They also agreed that the insertion of the words suggested by Governor Shepardson in the statement of policy would represent a desirable clarification in respect to air transportation. Chairman Martin observed, in this connection, that he had concluded that, generally speaking, members of the Board and top staff ought to be able to travel first class. On the matter of reimbursement for transportation between place of abode and place of business when in travel status, attention was called to some situations where it might be reasonable to reimburse such expenses for a longer period than five days. To provide for such circumstances, it was agreed to allow such expenses for the first five days in any one city "except as otherwise approved by the designated Board member."

With these changes, plus the other changes referred to in Governor Shepardson's memorandum of April 25, the revised travel regulations were approved effective May 1, 1966. A copy is attached as Item No. 10.

Governor Shepardson also noted that a question had been raised about the matter of use of Board cars to meet persons arriving at Dulles or Friendship Airports outside of working hours.

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Members of the Board cited the usefulness of this accommodation on certain occasions, particularly when a traveler was returning to Washington from an overseas or other long trip, and it was noted that there might not be too much difference, in such circumstances, between the cost of providing a Board car and the cost of taxi service. One member also noted that on some occasions the traveler might return to National Airport from a long trip on a connecting flight and that the availability of a Board car would sometimes seem warranted under those conditions.

A further question was raised with respect to the availability of Board cars to transport members of the Board to and from official functions in the evening hours, and it was pointed out that in some circumstances this would be highly convenient for reasons such as difficulty of parking.

The result of the discussion was a consensus that there should be latitude to arrange for the use of Board cars for purposes such as to meet returning travelers at the airports or for transportation of Board members to official evening functions when in the judgment of the person requesting such service, the accommodation was justified by the particular circumstances involved. It was understood that if questions arose in the light of experience, these would be discussed further by the Board.

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In connection with the foregoing discussion, one of the members of the Board raised a question whether the present number of Board cars and chauffeurs was sufficient, and it was understood that consideration would be given to this question by Governor Shepardson and appropriate members of the staff.

Governor Shepardson then called attention to a question that had been raised about the possibility, when members of the staff were sent on lengthy assignments, particularly in connection with activities under the training and development program, of reimbursing them for certain added expenses incurred at home by reason of their absence.

Consideration of this question pointed up the difficulty of working out any appropriate reimbursement rules of general application to situations of this kind, and it was suggested that detailed regulations be avoided, thus leaving flexibility for any unusual problems, if they should arise, to be considered on their merits on an ad hoc basis. Chairman Martin suggested that if there developed to be any real problem, the Board member in charge of internal affairs bring such cases to the attention of the Board.

Student loan guarantee program. Unanimous approval was given to a letter to the Presidents of all Federal Reserve Banks inviting suggestions on names of persons who might be mentioned to the Department of Health, Education, and Welfare as equipped to occupy high-level positions in the Division of Student Financial Aid, which was charged with responsibility for establishing and maintaining continuing

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supervision over the student loan guarantee program provided for by the Higher Education Act of 1965.

The meeting then adjourned.

Secretary's Notes: Attached as Item No. 11 is a copy of a letter sent today to Coronado Financial Corporation, Kansas City, Missouri, granting a temporary, revokable section 301 determination. The letter was sent pursuant to the authorization given by the Board on December 17, 1965, and reaffirmed at its meeting on January 4, 1966.

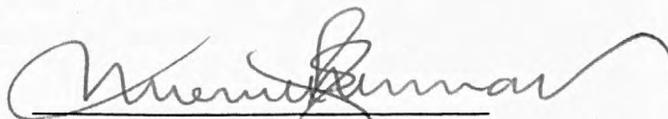
Pursuant to the requirement of section 10 of the Federal Reserve Act, the Board's Annual Report for 1965 was transmitted today to the Speaker of the House of Representatives. A copy of the Report was also transmitted to the President of the Senate for the information of the Senate.

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

Letter to the Federal Reserve Bank of Richmond (copy attached as Item No. 12) approving the appointment of Frank D. Stinnett, Jr., as examiner.

Memoranda from the Division of Research and Statistics recommending the appointment of the following persons as Summer Research Assistants in that Division, with basic annual salaries at the rates indicated, effective the respective dates of entrance upon duty:

<u>Name</u>	<u>Basic annual salary</u>
Frank E. Hopkins	\$6,269
Charles Allen Lockett	6,269
Michael David Sherman	6,269
Kathleen Wallis Tener	5,702


Secretary

Item No. 1
4/29/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966



Board of Directors,
Norfolk County Trust Company,
Brookline, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Norfolk County Trust Company, Brookline, Massachusetts, of a branch between 103 and 175 Washington Street, Brookline, Massachusetts, provided the branch is established within two years 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
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

Board of Directors,
Manufacturers Hanover Trust
Company,
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to November 14, 1966, the time within which Manufacturers Hanover Trust Company, New York, New York, may establish a branch at 111-121 William Street, Borough of Manhattan, New York, New York.

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
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

Board of Directors,
Bank of Burlington,
Burlington, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of Burlington, Burlington, Wisconsin, of a branch at 432 Dodge Street, Burlington, Wisconsin, 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
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

Board of Directors,
Farmers and Merchants Bank
of Long Beach,
Long Beach, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to April 27, 1967, the time within which Farmers and Merchants Bank of Long Beach, Long Beach, California, may establish a branch in the vicinity of the southwest corner of the intersection of Woodruff and Rosecrans Avenues, Bellflower, Los Angeles County, 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. 5
4/29/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966



Board of Directors,
Bank of the Commonwealth,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of the Commonwealth, Detroit, Michigan, of a branch at 35103 Warren Avenue, Nankin Township, Wayne 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. 6
4/29/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966



Board of Directors,
Mid-Continent National Bank,
Kansas City, Missouri. 64112.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Kansas City, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the Mid-Continent National Bank to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective as of the date it opens for business.

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. 7
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

CONFIDENTIAL (FR)

Mr. Monroe Kimbrel,
First Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303.

Dear Mr. Kimbrel:

The Board of Governors approves the payment of salary to Mr. Billy H. Hargett as Assistant Vice President of the Federal Reserve Bank of Atlanta at the rate of \$15,000 per annum for the period June 1 through December 31, 1966. This is the rate fixed by your Board of Directors as reported in your letter of April 15, 1966.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

Mr. James A. Bancroft,
Vice President,
International Bank,
1701 Pennsylvania Avenue, N.W.,
Washington, D. C. 20006

Dear Mr. Bancroft:

This refers to your letter of March 15, 1966, addressed to Mr. Nosker of the Federal Reserve Bank of Richmond, with further reference to the question whether International Bank is a bank holding company under the Bank Holding Company Act of 1956 ("the Act").

After careful consideration of all the arguments advanced on behalf of Financial General Corporation and International Bank and in the light of the facts presented and the provisions of the statute, the Board has concluded that International Bank is a bank holding company under section 2(a) of the Act, on the basis of indirect ownership and indirect control of 25 per cent of the voting shares of a bank holding company and of two or more banks and on the basis that it controls the election of a majority of the directors of two or more banks.

Accordingly, it is requested that International Bank take appropriate steps to comply with all the requirements of the Act. Your attention is directed, particularly, to section 3, requiring prior approval by the Board in certain situations; and to sections 4 and 5, which provide, in part, as follows

"Sec. 4(a) Except as otherwise provided in this Act,
no bank holding company shall -

"(1) after the date of enactment of this Act acquire
direct or indirect ownership or control of any voting shares
of any company which is not a bank, or

Mr. James A. Bancroft

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"(2) after two years from the date of enactment of this Act or from the date as of which it becomes a bank holding company, whichever is later, retain direct or indirect ownership or control of any voting shares of any company which is not a bank or a bank holding company or engaged in any business other than that of banking or of managing or controlling banks or of furnishing services to or performing services for any bank of which it owns or controls 25 per centum or more of the voting shares."

"Sec. 5(a) . . . within one hundred and eighty days after becoming a bank holding company . . . each bank holding company shall register with the Board on forms prescribed by the Board, which shall include such information with respect to the financial condition and operations, management, and inter-company relationships of the bank holding company and its subsidiaries, and related matters, as the Board may deem necessary or appropriate to carry out the purpose of this Act."

For your convenience, a copy of the Board's Regulation Y (Bank Holding Companies) and a copy of a Registration Statement form are enclosed.

Please advise the Board, as promptly as possible, and in any event before July 1, 1966, as to the action you plan to take in order to comply with the requirements of the Act.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 9
4/29/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966.



Mr. Wallace M. Haselton, President,
Depositors Trust Company,
Augusta, Maine. 04330

Dear Mr. Haselton:

This is in reply to your letter to the Board of Governors dated March 22, 1966, transmitted through the Federal Reserve Bank of Boston. The question presented is whether it would be permissible, under Federal law, for Depositors Trust Company, a State member bank, to acquire approximately 85 per cent of the outstanding stock of The Liberty National Bank, Ellsworth, Maine, in exchange for authorized but unissued stock of Depositors. Enclosed with your letter was a Memorandum of Law by your bank's counsel, which discussed the status of such a transaction under sections 5136 and 5155 of the United States Revised Statutes (12 U.S.C. 24 and 36).

Paragraph Seventh of section 5136 forbids a national bank to purchase "for its own account . . . any shares of stock of any corporation", and that prohibition is made applicable to State member banks by the twentieth paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 335). Legislative history and judicial interpretations in this field compel the conclusion that Congress did not intend to permit national banks or State member banks to acquire, for their own account, the stock of other banks. Consequently, it is the opinion of the Board that acquisition by Depositors of stock of Liberty would violate the statutory prohibition.

In view of the conclusion stated in the preceding paragraph, it is unnecessary to determine, in this connection, whether the proposed acquisition of the stock of Liberty would also violate section 5155 of the Revised Statutes, relating to branches of national banks, which is made applicable to State member banks by the third paragraph of section 9 of the Federal Reserve Act (12 U.S.C. 321). It may be noted, however, that these provisions are intended to permit State member banks to operate additional banking offices only with the

Mr. Wallace M. Haselton

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approval of the Board of Governors. Despite the existence of separate corporate entities, when one bank owns all or a majority of the stock of another the offices and resources of the latter become a part of the banking organization owned by, and subject to the control of, the parent bank. Consequently, if the contemplated procedure were permissible, it would enable member banks to conduct banking operations through additional offices without obtaining supervisory approval, which would undermine an important regulatory purpose of the Federal statutes relating to multiple-office banking.

Another aspect of the Federal banking laws appears to be relevant to this situation. If Depositors acquired a majority of the stock of Liberty, Depositors would thereby become a "holding company affiliate" of Liberty, as that term is defined in section 2(c)(1) of the Banking Act of 1933 (12 U.S.C. 221a). Section 5144 of the Revised Statutes (12 U.S.C. 61) provides that "shares controlled by any holding company affiliate of a national bank shall not be voted unless such holding company affiliate shall have first obtained a voting permit" from the Board of Governors. The Board "may, in its discretion, grant or withhold such permit as the public interest may require."

If Depositors controlled the stock of Liberty, it is doubtful whether the Board could appropriately issue a voting permit to Depositors. The exercise of control by Depositors over the affairs of Liberty, through the voting of the stock of the latter bank, would not be in the public interest, since such action would be inconsistent with the policy of Congress reflected in provisions of Federal law that limit the geographical expansion of the banking operations of State member banks and are designed to vest in the Board of Governors authority to approve or disapprove such expansion.

The Board notes that the ultimate purpose in this case is the establishment of a holding company system of which Liberty would be a part, and that the proposed acquisition of Liberty stock by Depositors is only an intermediate step dictated by limitations of time. These circumstances may seem to make the program less objectionable, from the substantive standpoint, than if indefinite retention of the Liberty stock by Depositors were contemplated. However, the applicable statutes provide no exception for arrangements that are intended to be temporary; and it must also be borne in mind that the proposed "correction" of the prohibited arrangement would depend upon a contingent event - namely, supervisory approval of the holding company plan.

It is hoped that the problems of timing that you confront can be solved in a manner that is compatible with applicable provisions

of law. Needless to say, the views expressed in this letter should not be regarded as indicating either a favorable or an adverse attitude on the part of the Board of Governors with respect to the holding company plan. If that matter is hereafter presented to the Board, its decision would necessarily be based upon the merits of the proposal as presented and evaluated at that time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEMTRAVEL REGULATIONS EFFECTIVE MAY 1, 1966

Reimbursement for expenses of persons traveling on official business of the Board shall be as follows:

SECTION A

Members of the Board

1. Members of the Board shall be allowed actual necessary transportation expenses and: (a) a per diem in lieu of subsistence not to exceed \$20, except that when traveling outside the continental United States per diem in lieu of subsistence may be claimed in accordance with the Standardized Government Travel Regulations; or (b) a per diem of \$10 plus actual cost of room; or (c) actual necessary travel expenses. Members of the Board shall also be allowed such incidental expenses as may be necessary for the transaction of official business while in a travel status.

SECTION B

Members of the StaffTravel within the continental United States

1. Members of the official staff, traveling pursuant to authorization by the Board Member in charge of administration

(hereinafter referred to as the designated Board Member) shall be allowed either (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$8 plus actual cost of room, or (b) actual necessary travel expenses.

2. Employees traveling pursuant to authorization by the Head of the Division shall be allowed (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$8 plus actual cost of room, or (b) upon authorization by the designated Board Member, actual necessary travel expenses.

3. Members of the Field Examining Staff shall be allowed actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$16 unless specifically authorized to travel on a different basis.

Travel outside the continental United States

4. Travel on official business outside the continental United States shall be undertaken only when approved in advance by the Board of Governors, except that travel to the States of Alaska and Hawaii may be authorized and approved by the designated Board Member or by the Division Head, whichever is necessary to conform with paragraphs 1 and 2 of this Section. Reimbursement for expenses of such travel shall be in accordance with the Standardized Government

Travel Regulations subject to Board policy (see Sec. D, par. 5) as to air transportation accommodations. When, because of unusual circumstances, the prescribed per diem rate is substantially less than the amount required for actual subsistence expenses, the traveler may, when authorized, be allowed actual necessary travel expenses.

SECTION C

Other Persons

1. All other persons, including consultants, traveling on official business pursuant to authorization by the Head of the Division concerned, and applicants for positions traveling pursuant to authorization concurred in by both the Head of the Division concerned and the Division of Personnel Administration, shall be allowed (a) actual necessary transportation expenses and a per diem in lieu of subsistence not to exceed \$8 plus actual cost of room, or (b) upon authorization by the designated Board Member, actual necessary travel expenses.

SECTION D

Definitions and Miscellaneous Provisions

1. Actual necessary transportation expenses

a. The term "actual necessary transportation expenses" includes the cost of official travel by railroad, airline (see policy par. 5), steamer, bus, streetcar, taxicab, automobile, and other means of conveyance. In the case of railroad travel, it also includes standard lower berth, roomette, or seat, except that a superior accommodation obtainable in connection with a single fare may be allowed when this is the lowest priced first-class accommodation available and a notation to that effect is made on the travel voucher.

b. Members of the Board and of the official staff may be allowed any Pullman accommodations obtainable in connection with a single fare, and, when a single bedroom is not available, Members of the Board may be allowed the extra expense necessary to obtain such accommodations as are available.

c. Extra expense incurred by persons referred to in Section B by reason of travel on extra-fare trains and planes, or unusual means of conveyance, will be allowed only when the travel voucher is accompanied by a satisfactory explanation of the necessity therefor, or shows that the cost thereof, less the amount of subsistence allowance saved by more expeditious travel and the amount of salary of the traveler for the time thus saved, does not exceed

the standard cost of rail and Pullman or airline fare between the points of travel.

d. When savings can be effected by the purchase of round-trip or special-rate tickets, they shall be obtained.

e. The term "actual necessary transportation expenses" also includes reasonable expenditures for the ordinary incidentals to transportation which are not covered by the definition of per diem in lieu of subsistence, such as cost of baggage transfer; official telegraph, telephone, radio, and cable messages relating to transportation; and taxicab, streetcar, or bus fares (1) from or to transportation terminal, and (2) except for the Field Examining Staff, between places of abode and place or places of business for the first five days in any one city (except as otherwise approved by the designated Board Member). In addition to the actual taxicab fare, reimbursement may be allowed for a reasonable tip.

f. In lieu of the use of taxicab from or to transportation terminal and place of abode or business, mileage at the rate of 12¢ per mile may be allowed traveler for one-way or round-trip use of a privately owned automobile between those points provided the amount of reimbursement does not in either instance exceed taxicab fare, including allowable tip, for a one-way trip between the same points.

g. When authorized to use a privately owned automobile in official travel within the continental United States, the traveler may be allowed mileage at a rate not to exceed 12¢ per mile, plus parking fees, ferry fares, and bridge, road, and tunnel tolls: Provided, That when travel by privately owned automobile is not necessary but is for personal reasons of the traveler, the following rules will apply for persons referred to in Sections B and C:

- (1) Payment on the mileage basis at not to exceed 12¢ per mile shall not exceed allowable transportation costs, for all persons officially traveling in the same automobile, for travel by airplane accommodations of the class allowable for such persons under these regulations;
- (2) If such transportation is not available, the comparison shall not exceed allowable transportation costs for travel by railroad;
- (3) The related per diem shall be adjusted to the time schedule of the carrier used for making the cost comparison;

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- (4) Notwithstanding the provisions of subparagraph (1) of this paragraph, the traveler may make the comparison with allowable transportation costs for travel by railroad when the distance traveled is less than 300 miles;
- (5) Provided, That members of the Field Examining Staff, because of their continuous travel status, shall be allowed an adjusted mileage rate (not to exceed 12¢) comparable to allowable transportation costs for travel by railroad as determined periodically by the Office of the Controller and approved by the designated Board Member.

2. Per diem in lieu of subsistence

a. The term "per diem in lieu of subsistence" includes all meals; all fees and tips to waiters, porters, baggagemen, bell boys, hotel maids, etc.; telegrams and telephone calls reserving hotel accommodations; laundry; cleaning and pressing of clothing; and transportation not covered under Sec. D, par. 1(e) above.

b. When meals are included in the cost of passage ticket on vessels, per diem in lieu of subsistence will not be allowed while traveler is on shipboard. For such periods

the traveler may be allowed actual necessary travel expenses.

c. When a member of the Board's staff finds it necessary to take leave of absence on account of illness while in travel status, he may, with the approval of the designated Board Member in the case of officials, and with the approval of the Head of the Division in the case of employees, be allowed per diem in lieu of subsistence and where applicable actual cost of room during such absence, except that for employees, if the illness extends beyond one week, the traveler may be allowed per diem in lieu of subsistence and where applicable actual cost of room for such additional period as may be approved by the designated Board Member.

3. Actual necessary travel expenses

a. The term "actual necessary travel expenses" includes all expenditures covered by the definitions of (1) actual necessary transportation expenses and (2) per diem in lieu of subsistence. The items of expense shall be shown in detail in the travel voucher and shall be supported by satisfactory receipts.

4. Miscellaneous

a. The term "continental United States" means the District of Columbia and the States other than Alaska and Hawaii.

b. When hotel or other accommodations are shared by the traveler, the fact should be stated in his travel

voucher and amount claimed should not exceed the cost of single occupancy of such accommodation.

c. Whenever travel by others than Members of the Board is contemplated, a memorandum in a form provided for the purpose shall be submitted in advance of the trip for approval by the designated Board Member or by the Division Head, whichever is necessary to comply with Section B.

d. The official station for members of the Field Examining Staff shall be Washington, D.C.; however, for the limited purpose of determining allowable travel expenses in connection with travel during the summer and Christmas breaks for annual leave, members of the Field Examining Staff may choose their places of residence as "headquarters." Designation of place of residence should be filed with the Controller's Office when the employee enters on duty.

e. Receipts shall be obtained for lodging and for such other allowable cash expenditures as required by the Standardized Government Travel Regulations.

f. Waiver of State and local taxes on hotel rooms shall be obtained where possible. The traveler should show his Board identification and thereby claim the exemption. If this is not acceptable to the hotel, the tax should be paid and, if over \$1, the circumstances explained in the voucher.

g. Reimbursement of expenses for official travel within the continental United States not specifically covered by these regulations shall be in accordance with the Standardized Government Travel Regulations.

5. Policy

a. It is Board policy that when official travel is necessary, either within or outside the continental United States, it will be accomplished with due regard to cost as well as to the comfort, convenience, and business needs of the traveler, including the proprieties of the meeting attended or the needs of senior officials whom the traveler may be accompanying. This shall apply particularly as to class of air transportation used and choice of hotel accommodations.

(1) Except as provided above this contemplates use of less than first-class air transportation for trips of less than approximately two hours' duration and on longer trips where the schedule is such as to permit an appropriate adjustment period of up to 24 hours between time of arrival and time of reporting for official duties.

(2) For hotel accommodations, it contemplates costs not to exceed cost of average room in standard hotels in the city or, in case of attendance at meetings, accommodations no more

expensive than the average at the
headquarters hotel.

b. The Board relies on the discretion of the staff
in this matter, with the understanding that apparently ex-
cessive claims may be questioned by the Controller and, if
not satisfactorily explained, called to the attention of
the designated Board member for further disposition.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

Mr. L. A. Laybourn, President,
Coronado Financial Corporation,
Broadway Building,
Kansas City, Missouri.

Dear Mr. Laybourn:

This refers to the request contained in your letter of April 4, 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 Coronado Financial Corporation as a holding company affiliate.

From the information presented, the Board understands that Coronado Financial Corporation is engaged primarily in the construction and leasing, through Mid-Continent Bank Building Company, its subsidiary, of the Mid-Continent National Bank building. Coronado Financial Corporation plans to purchase 78,000 of the 150,000 shares of capital stock of Mid-Continent National Bank, Kansas City, Missouri, a new bank now in the process of organization. Coronado 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 Coronado Financial Corporation will not be 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, Coronado Financial Corporation will not be 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 will own.

Mr. L. A. Laybourn

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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 Coronado Financial 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 a manner as to indicate that Coronado Financial 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. 12
4/29/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 29, 1966

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

Dear Mr. Nosker:

In accordance with the request contained in your letter of April 27, 1966, the Board approves the appointment of Frank D. Stinnett, Jr., at present an assistant examiner, as an examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.