

Minutes for May 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>(M)</u>
Gov. Robertson	<u>R</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>
Gov. Daane	<u>[Signature]</u>
Gov. Maisel	<u>[Signature]</u>
Gov. Brimmer	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, May 11, 1966. The Board met in the Board Room at 9:30 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson, Vice Chairman
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
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. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hexter, Associate General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Partee, Associate Director, Division of Research and Statistics
Mr. Gramley, Associate Adviser, Division of Research and Statistics
Mr. Sammons, Associate Director, Division of International Finance
Miss Wolcott, Technical Assistant, Office of the Secretary
Messrs. Sanders and Smith of the Legal Division
Messrs. Burton, Egertson, Maguire, and Poundstone of the Division of Examinations

Approved items. The following items were approved unanimously after consideration of background information that had been made available to the Board. Copies are attached under the respective numbers indicated.

Item No.

Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in Redding.

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	<u>Item No.</u>
Letter to Kanawha Banking and Trust Company, Charleston, West Virginia, approving the establishment of an in-town branch.	2
Letter to First National City Bank, New York, New York, approving the establishment of branches in St. Thomas and St. Croix, Virgin Islands.	3
Letter to Almeda State Bank, Houston, Texas, approving an investment in bank premises.	4
Telegram to the Federal Reserve Agent at Cleveland authorizing the issuance to BancOhio Corporation, Columbus, Ohio, of a general voting permit covering its stock of The First National Bank of Jackson, Jackson, Ohio.	5
Letter to the Federal Reserve Bank of Dallas regarding expansion of Blue Cross-Blue Shield coverage.	6

Report on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Matinecock Safe Deposit Company, Locust Valley, New York, into Matinecock Bank, also of Locust Valley, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed merger of Matinecock Bank, Locust Valley, New York, and Matinecock Safe Deposit Company, Locust Valley, New York, would have no effect on competition.

Application of Associated Bancorporation (Items 7-9). There had been distributed a memorandum from the Legal Division dated May 10, 1966, regarding the application by Associated Bancorporation, Milwaukee,

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Wisconsin, for approval of action to become a bank holding company. The memorandum detailed certain information regarding one of the proposed subsidiary banks that had come to the attention of the staff subsequent to the public hearing on the application in November 1965, and on the basis of this information the Legal Division recommended that the Board direct the Hearing Examiner to defer indefinitely the filing of his report and recommended decision. A proposed order implementing this recommendation was attached to the memorandum. Also attached were drafts of letters to the Hearing Examiner and to counsel for the applicant.

In commenting on the distributed material, Mr. O'Connell brought out that the most recent report of examination conducted by the Federal Deposit Insurance Corporation of Milwaukee Western Bank, one of the banks to be acquired by the proposed holding company, indicated that the condition of the bank had deteriorated substantially. Examinations of both Milwaukee Western Bank and Menomonee Falls Bank, the other bank to be acquired by the proposed holding company, were scheduled for this month. If the examinations should confirm the suspected substantial deterioration in the former bank and, possibly, a lesser deterioration in the latter, the Legal Division would recommend to the Board that it reopen the hearing for the receipt of testimony and documentary evidence, such further hearing sessions to be closed to the public. The proposed order to the Hearing Examiner now under discussion would not identify the

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basis for postponement of the filing of a report and recommended decision, but the letter to counsel for the applicant would. It was possible that in the circumstances the applicant might want to withdraw its application.

Following discussion of the distributed material and of the points brought out by Mr. O'Connell's oral presentation, the issuance of the order was authorized and the letters to the Hearing Examiner and to counsel for the applicant were approved unanimously. Copies of the order and letters are attached as Items 7-9. There was agreement with a further recommendation by Mr. O'Connell that the order be made part of the hearing record, but that it not be published in the Federal Register.

Compounding of interest. There had been distributed a memorandum from the Legal Division dated May 6, 1966, relating to a proposed amendment to Regulation Q, Payment of Interest on Deposits, which would permit member banks, subject to certain conditions, to pay interest on deposits at the maximum permissible rate compounded on any basis that the member bank might wish to adopt. The memorandum reported reservations expressed by the Federal Deposit Insurance Corporation in response to the request for that Corporation's views, pursuant to the procedure agreed upon at the Board meeting on March 30, 1966. The views of the Comptroller of the Currency also had been requested, but it was now understood from the Comptroller's staff that no response would be forthcoming.

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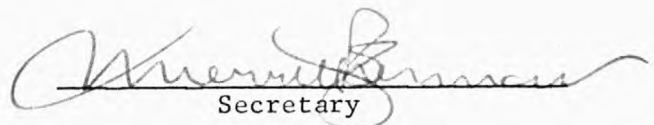
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Governor Robertson suggested that further consideration of the proposal be deferred until a luncheon meeting could be arranged with Chairman Randall and Mr. Sherrill of the Federal Deposit Insurance Corporation, and it was understood that this course of action would be followed.

Question was raised whether it might also be appropriate to discuss with Messrs. Randall and Sherrill the status of the Board's revised notice of proposed rule making that would bring within the definition of "deposit" promissory notes and other forms of member bank indebtedness, with certain exceptions. It was indicated that a memorandum from the Legal Division summarizing comments received on the revised proposal would be available shortly. Accordingly, it was understood that discussion of the subject would be contemplated at the Board meeting next Monday, after which it could better be determined whether a review of the matter with Messrs. Randall and Sherrill would appear profitable.

The meeting then adjourned.

Secretary's Note: On May 10, 1966, Governor Shepardson approved on behalf of the Board a letter to the Federal Reserve Bank of San Francisco (copy attached as Item No. 10) approving the appointment of Danila Mitrovich and Robert L. Ruby as examiners.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
5/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 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 Interstate Highway #5 and Cypress Avenue, Redding, Shasta County, California, 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 a 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.)



Item No. 2
5/11/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 11, 1966

Board of Directors,
Kanawha Banking and Trust Company,
Charleston, West Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Kanawha Banking and Trust Company, Charleston, West Virginia, of a branch at the southwest corner of Virginia, East, and Summers Streets, Charleston, West Virginia, 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. 3
5/11/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1966.

First National City Bank,
399 Park Avenue,
New York, New York. 10022

Gentlemen:

The Board of Governors of the Federal Reserve System grants its permission to First National City Bank, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish two branches in the Virgin Islands, one to be located on the island of St. Thomas, and one on the island of St. Croix, and to operate and maintain such branches subject to the provisions of Section 25 and of Regulation M.

Unless the branches are actually established and opened for business on or before May 1, 1967, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted will automatically terminate on that date.

Please inform the Board of Governors, through the Federal Reserve Bank of New York, when the branches are opened for business, furnishing information as to the exact location of each branch. The Board should also be promptly informed of any future change in location of the branch on St. Thomas and the branch on St. Croix.

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 branches; 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.)

Item No. 4
5/11/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1966

Board of Directors,
Almeda State Bank,
Houston, Texas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, a direct and indirect investment in bank premises not to exceed \$800,000 by Almeda State Bank, Houston, Texas, for the purchase of land and construction of new banking quarters.

It is understood that the \$800,000 represents \$400,000 to be furnished by the bank and \$400,000 to be borrowed by Almeda Corporation from a source other than the subject bank.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

T E L E G R A M
LEASED WIRE SERVICEItem No. 5
5/11/66BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

May 11, 1966

BALL - CLEVELAND

KEBJE

- A. BancOhio Corporation, Columbus, Ohio.
- B. The First National Bank of Jackson, Jackson, Ohio.
- C. Prior to issuance of permit authorized herein, Applicant shall execute and deliver to you, in duplicate, an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

BAKKE

(Signed) Karl E. Bakke

Definition of KEBJE

The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to the condition(s) stated below after the letter "C". The period within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964).

Item No. 6
5/11/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1966

AIR MAIL

Mr. Watrous H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Irons:

Reference is made to your letter of May 3, 1966, advising that the Personnel Committee of the Board of Directors has authorized expanded Blue Cross-Blue Shield coverage for active and retired employees of the Head Office and branches, effective July 1, 1966.

The Board of Governors approves the program of increased benefits under the new contract and the absorption of two-thirds of the premium cost in connection therewith, subject to the approval of your Board of Directors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 7
5/11/66

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application ofASSOCIATED BANCORPORATION,
Milwaukee, Wisconsin,pursuant to Section 3 of the
Bank Holding Company Act of 1956.
-----DOCKET NO.
BHC-74ORDER

The application of Associated Bancorporation for approval of the formation of a bank holding company, pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956, was the subject of a public hearing held on November 9 and 10, 1965, before Hearing Examiner David London, at the Federal Reserve Bank of Chicago. On December 20, 1965, pursuant to Section 263.4 of the Board's Rules of Practice for Formal Hearings (12 CFR Part 263), the Hearing Examiner filed the transcript of hearing record with the Secretary of the Board. Subsequently, Applicant filed proposed findings of fact and conclusions of law with supporting brief. Pursuant to Section 263.6 of the Board's Rules of Practice, filing by the Hearing Examiner of his report and recommended decision would follow the filing of Applicant's proposed findings, conclusions, and brief.

On the basis of information obtained by the Board in the performance of its bank supervisory functions, the Board finds that the filing by the Hearing Examiner of his report and recommended decision should be stayed pending consideration by the Board of the necessity for receipt by the Hearing Examiner of further evidence relating to one or more of the issues involved in this proceeding.

Accordingly, it is ordered that the filing of the Hearing Examiner's report and recommended decision in this proceeding be stayed until further order of the Board.

Dated at Washington, D. C., this 11th day of May, 1966.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
5/11/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1966.

REGISTERED
RETURN RECEIPT REQUESTED

Mr. David London, Hearing Examiner,
National Labor Relations Board,
1717 Pennsylvania Avenue, N. W.,
Washington, D. C. 20570

Re: In the Matter of the Application of Associated
Bancorporation - Docket No. BHC-74

Dear Mr. London:

Reference is made to the above application which is now before you for preparation of a report and recommended decision. In connection with this application, the Board is presently studying data in its possession as a bank supervisory authority that suggests the possible need for a reopening of the hearing on the subject application for the production of further evidence. Pending a determination in this respect, the Board has issued an order directing that you stay the filing of your report and recommended decision until further order of the Board. The Board's order is enclosed.

We have this date advised Applicant and its counsel by registered mail of the Board's action. Appropriate advance notice will be given to you and the Applicant regarding any proposed reopening of the hearing or of other action considered appropriate by the Board.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9
5/11/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

May 11, 1966.

AIR MAIL - REGISTERED
RETURN RECEIPT REQUESTED

Roy C. LaBudde, Esq.,
Michael, Best & Friedrich,
626 East Wisconsin Avenue,
Milwaukee, Wisconsin. 53201

Re: In the Matter of the Application of Associated
Bancorporation - Docket No. BHC-74

Dear Mr. LaBudde:

As you know, the above application relating to the proposed acquisition by Applicant of the voting stock of Milwaukee Western Bank, Milwaukee, and Menomonee Falls Bank, Menomonee Falls, both in Wisconsin, is now before Hearing Examiner David London for his report and recommended decision. Subsequent to your filing of Applicant's proposed findings of fact, conclusions of law, and brief, the Board has had occasion to review the November 15, 1965 report of examination of the Milwaukee Western Bank prepared by examiners of the Federal Deposit Insurance Corporation's Seventh District Office, and the bank's report of condition as of April 5, 1966, submitted to the Corporation. In general, the examination and condition reports mentioned reflect, in the Board's judgment, conditions within Milwaukee Western Bank significantly different in certain critical areas than reflected in the May 4, 1964 report of examination prepared by the Corporation. Among other matters noted in the November 15, 1965 report of examination were the substantial increases in loan classifications and large concentrations of credit that have occurred apparently since the May 4, 1964 report of examination. In addition, as reflected in the bank's April 5, 1966 report of condition, the bank's loan-to-deposit ratio has increased over that of November 1965, reflecting an increase in total loans and a net decrease in deposits.

The foregoing references to certain aspects of Milwaukee Western Bank's operations have, in the Board's opinion, a direct bearing on one or more of the statutory factors with respect to

Roy C. LaBudde, Esq.

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which evidence was adduced during the hearing on Associated Bancorporation's application. Similarly, the Board believes that the current examinations of Milwaukee Western Bank and Menomonee Falls Bank, which the Board is advised were commenced on May 9, 1966, will bear upon the aforementioned factors.

Pursuant to Section 263.2(j) of the Board's Rules of Practice for Formal Hearings (12 CFR Part 263), upon appropriate notice, the Board may reopen any hearing at any time prior to entry of its order disposing of any matter, for the purpose, among others, of calling for further evidence upon any issue. To the end that the Board will be able to determine whether there is reasonable cause to reopen the hearing record on Applicant's proposal for the purpose of receiving further evidence, the Board has directed its staff, including Board counsel, to review, among other data, the November 15, 1965 report of examination of Milwaukee Western Bank, the December 15, 1965 report of examination of Menomonee Falls Bank, and the reports of examination of both banks that will be prepared following the current examinations of these banks. Pending completion of these examinations and the reports thereon, and the Board's decision as to the need for reopening the hearing record on the application in Docket No. BHC-74, the Board has issued an order directing the Hearing Examiner to stay the filing of his report and recommended decision until further order of the Board. The Board's order is enclosed. Also enclosed is a copy of a letter of this date under which the Board's order was sent to Hearing Examiner London and a copy of the Board's letter to Applicant with its stated enclosures. Should you or representatives of Associated Bancorporation have any questions regarding either the enclosed order or this letter, you may wish to communicate with Mr. Thomas J. O'Connell, Board counsel, in this regard.

The enclosed order will be entered as part of the record in this proceeding, but will not be published in the Federal Register.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

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

Item No. 10
5/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



May 11, 1966

Mr. H. E. Hemmings, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Hemmings:

In accordance with the request contained in your letter of May 4, 1966, the Board approves the appointments of Danila Mitrovich and Robert L. Ruby, at present assistant examiners, as examiners for the Federal Reserve Bank of San Francisco, effective July 1, 1966.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.