

Minutes for June 14, 1966

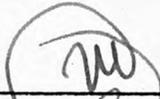
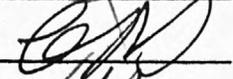
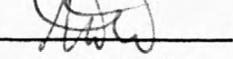
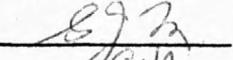
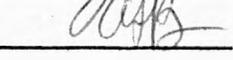
To: Members of the Board

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 a meeting of the available members of the Board  
of Governors of the Federal Reserve System on Tuesday, June 14, 1966.

The meeting was held in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Vice Chairman  
Mr. Maisel  
Mr. Brimmer

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Cardon, Legislative Counsel  
Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Hexter, Associate General Counsel  
Mr. Shay, Assistant General Counsel  
Mr. Partee, Associate Director, Division of  
Research and Statistics  
Mr. Leavitt, Assistant Director, Division of  
Examinations  
Miss Wolcott, Technical Assistant, Office of  
the Secretary  
Mr. Shuter, Attorney, Legal Division  
Messrs. Egertson, Maguire, and Poundstone of  
the Division of Examinations

The following actions were taken subject to ratification at a  
meeting of the Board at which a quorum was present:

Approved letters. The following letters were approved unani-  
mously after consideration of background information that had been  
made available to the Board. Copies are attached under the respective  
item numbers indicated.

Item No.

Letter to the Federal Reserve Bank of San Francisco  
waiving the assessment of certain penalties incurred  
by Commercial and Farmers National Bank, Oxnard,  
California, because of deficiencies in its required  
reserves.

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Item No.

Letter to Bank of America National Trust and Savings Association, San Francisco, California, approving an extension of time to establish a branch in Guayaquil, Ecuador.

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Report on competitive factors. An editorial change in the conclusion having been agreed upon, unanimous approval was given to the transmittal to the Comptroller of the Currency of a report on the competitive factors involved in the proposed merger of The Peoples National Bank of Souderton into Union National Bank and Trust Company of Souderton, Souderton, Pennsylvania. In the form in which approved, the conclusion read as follows:

While the clearly anticompetitive effects of merging the only two banks in Souderton, Pennsylvania, would be moderated somewhat by the fairly close proximity of several offices of other banks, consummation of the merger of Union National Bank and Trust Company of Souderton and The Peoples National Bank of Souderton would eliminate the present and potential competition between them. It would also deprive Souderton-Telford residents of one of their two local banking options.

Proposed amendment of Securities Exchange Act. There had been distributed a memorandum from the Legal Division dated June 2, 1966, regarding a proposed amendment of the Securities Exchange Act of 1934 to authorize the Board to subject over-the-counter securities to margin regulation.

Consideration of the proposed amendment was deferred until such time as additional members of the Board were available. It was

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understood, however, that in the meantime the staff would obtain the current views of the Securities and Exchange Commission.

Report on H.R. 7371 (Item No. 3). There had been distributed a draft of reply to a request from Chairman Patman of the House Banking and Currency Committee for a report on H.R. 7371, as passed by the Senate, which would amend the Bank Holding Company Act of 1956. There had also been distributed a memorandum from Mr. Cardon dated June 13, 1966, detailing changes incorporated in the Senate-passed version of the bill.

In discussion of the report, Governor Robertson observed that the bill would allow Financial General Corporation, Washington, D. C., 12 years within which to comply with the divestment requirements of section 4 of the Bank Holding Company Act. He raised the question whether some reference to the provision should be included in the report with a view to at least making it clear on the record that this was a Congressional decision.

After discussion of the issues involved, during which reference was made to testimony on this part of the bill and comments were made by Mr. Cardon on the prospect of early passage of the legislation in its present form, the other members of the Board indicated that they felt it would be preferable to accept the bill as it stood and not raise the question.

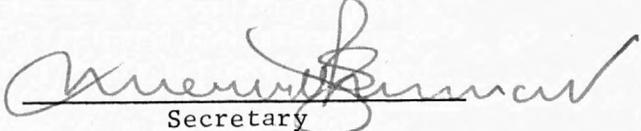
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Accordingly, Governor Robertson's reservations being noted, the letter to Chairman Patman was approved. A copy is attached as Item No. 3.

The meeting then adjourned.

Secretary's Note: Governor Robertson today approved on behalf of the Board a memorandum from Mr. Holland, Adviser to the Board, dated June 10, 1966, recommending that Mr. Katz, Adviser in the Division of International Finance, be authorized to expand a European trip scheduled for July in order to go to Brussels during the week of July 12-16 for discussions with the National Bank of Belgium in connection with the study of the discount mechanism. This authorization superseded the previous authorization for Miss Logue of the Division of International Finance to visit the National Bank of Belgium for this purpose.

  
Secretary

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 14, 1966

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

Dear Mr. Hemmings:

This refers to your letter of May 24, 1966, and its accompanying schedule regarding penalties incurred by the Commercial and Farmers National Bank, Oxnard, California. These penalties, in the total amount of \$179.30, were caused by deficiencies in the bank's required reserves for the biweekly reserve computation periods ended September 1, September 15, December 8, and December 22, 1965, and March 16, 1966.

It is noted that (1) the semiannual comparison of Call Reports with Reserve Condition Reports disclosed that since its opening in July 1965 the Commercial and Farmers National Bank had been using in its reserve reports the Monday closing deposit balances for Saturday and Sunday, instead of the Friday closing balances (opening balances on Monday), and, therefore, each reserve report through April 27, 1966, was incorrect; (2) on the basis of the original reports, the Reserve Bank had waived a penalty of \$4.60 for the period ended September 1 and assessed a penalty of \$55.23 for the period ended December 22; (3) on the basis of the corrected reports submitted by the bank, the penalty for the period ended September 1 would be increased to \$6.90, the one for the period ended December 22 would be reduced to \$48.32, and three additional penalties totaling \$124.08 would be assessed; (4) the reserve reports are now being properly prepared; and (5) under existing authority, only the \$6.90 penalty could be waived by the Reserve Bank.

In view of the circumstances, the Board authorizes your Bank to waive penalties totaling \$124.08 for the reserve computation periods ended September 15 and December 8, 1965, and March 16, 1966, and to leave unchanged the penalty of \$55.23 for the period ended December 22.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 2  
6/14/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

June 14, 1966

Bank of America National Trust  
and Savings Association,  
300 Montgomery Street,  
San Francisco, California. 94120

Gentlemen:

Reference is made to your letter of May 5, 1966 (received May 26, 1966), transmitted through the Federal Reserve Bank of San Francisco, referring to permission granted by the Board of Governors on July 1, 1965, for Bank of America National Trust and Savings Association to establish a branch in the City of Guayaquil, Ecuador, provided that such branch was actually established and opened for business on or before July 1, 1966.

It is noted from your letter of May 5, 1966, that, due to lengthy negotiations with banking authorities and difficulty in obtaining a license, it will not be possible to open the proposed branch as scheduled. Accordingly, the Board of Governors extends to July 1, 1967, the date specified in line 2 of paragraph 2 of the Board's letter of July 9, 1965.

It is further noted from your letter of May 5, 1966, that the anticipated capital investment in the branch has been increased from \$550,000 to \$1,650,000, and that you state: "We are aware, of course, that the \$1,650,000 to be provided our Guayaquil Branch by us will be regarded as 'foreign assets' for the purposes of the Voluntary Foreign Credit Restraint Program."

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 3  
6/14/66

OFFICE OF THE VICE CHAIRMAN

June 15, 1966

The Honorable Wright Patman,  
Chairman, Committee on Banking  
and Currency,  
House of Representatives,  
Washington, D. C. 20515

Dear Mr. Chairman:

This is in reply to your letter of June 13, 1966, requesting a report on H.R. 7371, as passed by the Senate, which relates to bank holding companies. The Board recommends acceptance of the Senate amendment.

As you know, the bill agreed to by the Senate omits several of the Board's recommendations for broadening coverage under the Bank Holding Company Act of 1956, the most important being the Board's proposal to cover one-bank holding companies. The Board continues to believe that such companies should be subject to regulation, just as multi-bank holding companies are. Nevertheless, we believe the Senate-passed bill is a constructive step toward closing loopholes in the Act. Realistically, we believe this is as much as can be obtained at this session of the Congress, although the Board has the duty, of course, to review questions of coverage under the Act from time to time and make such further recommendations as it considers will serve the public interest.

Most of the other provisions of the bill were recommended by the Board, or represent modifications of our recommendations to which we have no objection.

We urge speedy approval of the bill.

Sincerely yours,

(Signed) J. L. Robertson

J. L. Robertson

