

Minutes for July 29, 1966

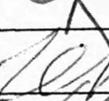
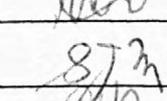
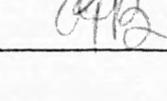
To: Members of the Board

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>873</u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, July 29, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Robertson, Vice Chairman  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane 1/  
Mr. Brimmer

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Bakke, Assistant Secretary  
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. Solomon, Director, Division of Examinations  
Mr. Morgan, Staff Assistant, Board Members' Offices  
Mr. Furth, Consultant

Messrs. Koch, Axilrod, Gramley, Ettin, Fry, and Kelty, and Miss Stockwell of the Division of Research and Statistics

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

Money market review. Mr. Kelty reported on developments in the Government securities market, with particular reference to the terms of the Treasury's August refunding and market reactions thereto. Mr. Fry commented on projections contained in a distributed table on bank reserve utilization, and Mr. Baker reviewed foreign exchange market developments.

Following discussion based on these reports, Governor Daane withdrew from the meeting. All members of the research staff except Mr. Sammons also withdrew, as did Messrs. Morgan and Furth, and the following entered the room:

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1/ Withdrew at point indicated in minutes.

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Mr. Hackley, General Counsel  
 Messrs. Shay and Hooff, Assistant General Counsel  
 Mr. Forrestal, Senior Attorney, Legal Division  
 Messrs. Egertson, Goodfellow, Maguire, and Poundstone of the  
 Division of Examinations

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

Supervisory items. Unanimous approval was given to the follow- ing letters, copies of which are attached to these minutes under the numbers indicated, after discussion of the relevant applications in light of background material that had been made available to the Board and comments by staff in response to questions raised by the members of the Board:

	<u>Item No.</u>
Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of an in-town branch.	1
Letter to United California Bank, Los Angeles, California, approving the establishment of an in-town branch in connection with the acquisition of assets of Produce Clearings.	2
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in Oakland in connection with the acquisition of assets and mortgage servicing contracts of Pacific States Mortgage Company.	3

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	<u>Item No.</u>
Letter to Boston Overseas Financial Corporation, Boston, Massachusetts, granting permission to purchase shares of Alliance Credit Corporation, Quebec, Canada, and to exercise the conversion rights.	4
Letter to Bamerical International Financial Corporation, New York, New York, granting permission to subscribe to stock of a financial corporation to be established in Luxembourg.	5
Letter to Bankers International Corporation, New York, New York, granting permission to acquire additional shares of Fabrica Espanola Magnetos S.A., Madrid, Spain.	6

In relation to Item No. 5, it was noted that at last examination Bamerical International Financial Corporation was reported to be holding 97.5 per cent of the capital of a German instalment bank, whereas the Board's consent of November 17, 1964, had authorized the Corporation to purchase and hold 80 per cent. It was suggested that the matter be followed up to determine whether the violation had been corrected. It was also suggested that whenever examinations of Edge corporations disclosed violations, such violations be made the subject of follow-up procedures without waiting for a subsequent examination.

Report on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of assets and assumption of liabilities of The State Bank of Meridian, Meridian, Oklahoma, by The First State Bank, Guthrie,

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Oklahoma, was approved unanimously. The conclusion stated that the proposed transaction would not have an adverse effect on competition.

Question under Holding Company Act. The Bank Holding Company Act defines a "bank holding company" to mean any company (1) that directly or indirectly owns, controls, or holds with power to vote 25 per cent or more of the voting shares of each of two or more banks or of a company that is or becomes a bank holding company by virtue of the Act; or (2) that controls in any manner the election of a majority of the directors of each of two or more banks.

Vice Chairman Robertson reported a telephone call from the New York State Superintendent of Banks relating to the acquisition of slightly under 25 per cent of the shares of Underwriters Trust Company, a New York City nonmember insured bank, by Capital Bancshares, Inc., a Texas-based company dominated by a Mr. Zimmerman. It appeared that an additional 16 per cent of the trust company's shares had been acquired by affiliated interests, and Superintendent Wille raised the question whether the Board's approval should have been obtained under the Bank Holding Company Act. It was understood that Capital Bancshares controlled one Florida bank and that related interests held shares in other banks. Mr. Wille said he would alert Underwriters Trust Company to the possibility of a question under the Bank Holding Company Act so that the bank would be on notice.

After discussion it was agreed that the Board's staff would be in touch with the staff of the Federal Deposit Insurance Corporation and

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that available information pertinent to the question also would be obtained through the appropriate Federal Reserve Banks.

Mr. Hackley reported a visit yesterday from a Mr. Dowell of Texas and the latter's attorney concerning a proposal by Mr. Dowell to set up a financial corporation that would acquire interests ranging up to 24 per cent of the stock of several banks currently controlled by Mr. Dowell. The purpose of Mr. Dowell's visit was to inquire whether the proposed transactions would appear to be subject to the provisions of the Bank Holding Company Act.

Mr. Hackley commented that the part of the definition of "bank holding company" involving indirect ownership or control had never been invoked since the Bank Holding Company Act was enacted. He pointed out that establishment of the existence of indirect control would require factual proof, and that the burden of proof presumably would be on the Board of Governors.

After discussion of the broad questions raised by situations of this kind, during which members of the Board noted that such arrangements might proliferate, the staff was requested to study the whole matter further and present its findings to the Board in order that consideration might be given to whether remedial legislation should be sought or other steps taken.

The meeting then adjourned.

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Secretary's Notes: Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increases, effective July 31, 1966

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Board Members' Offices</u>			
Florence R. Cox, Secretary		\$ 7,729	\$ 7,942
<u>Legal</u>			
Janet Hart, Senior Attorney		15,106	15,629
<u>Research and Statistics</u>			
Patricia Ann Cuneo, Statistical Clerk		3,925	4,269
Cheryl Dobbins, Statistical Clerk		4,413	4,776
Edward R. Fry, Economist		13,769	14,217
Cornelia J. Motheral, Economist (five-hour day)		6,829	7,066
Elizabeth B. Sette, Chief, Economic Editing		14,665	15,113
Mary Ellen Stroupe, Research Assistant		6,451	6,664
<u>International Finance</u>			
Margaret R. Garber, Economist		10,796	11,111
<u>Personnel Administration</u>			
M. Callie Wickline, Nurse		7,942	8,155
Margaret H. Wolverton, Personnel Assistant		10,166	10,481
<u>Administrative Services</u>			
Herman C. Bounds, Chauffeur		5,200	5,470
Thomas A. Whitty, Guard		4,557	4,701
<u>Data Processing</u>			
Mary Louise Roberts, Statistical Assistant		7,451	7,649
Bernard M. Wennemer, Clearing Assistant		5,683	5,859

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Salary increase, effective August 1, 1966

Mary E. Sanders, General Assistant, Division of Administrative Services, from \$9,523 to \$10,166 per annum, with a change in title to Administrative Assistant.

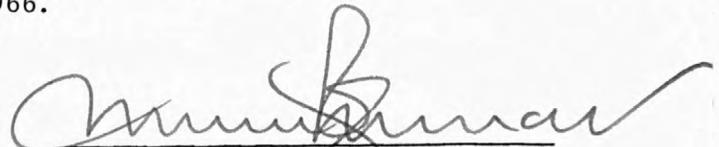
Transfers

Patricia K. Cook, from the position of Statistical Clerk in the Division of Research and Statistics to the position of Statistical Clerk in the Division of Bank Operations, with an increase in basic annual salary from \$4,557 to \$4,936, effective upon assuming her new duties.

Fayette Didjunas, from the position of Stenographer in the Division of Examinations to the position of Secretary in the Division of Research and Statistics, with an increase in basic annual salary from \$5,096 to \$5,507, effective upon assuming her new duties.

H. Allan Tomkinson, Statistical Clerk, Division of Research and Statistics, from budget position No. 20 to budget position No. 17 in the Banking Section, with no change in basic annual salary at the rate of \$4,776, effective July 31, 1966.

Governor Shepardson today noted on behalf of the Board a memorandum advising that Frances D. Skehan, Statistical Assistant, Division of Research and Statistics, had filed application for retirement, effective September 1, 1966.

  
Secretary

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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
7/29/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 29, 1966

Board of Directors,  
The First Pennsylvania Banking  
and Trust Company,  
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, of a branch at the southwest corner of the Woodland Avenue Shopping Center on the south side of Woodland Avenue between 61st and 62nd Streets, Philadelphia, Pennsylvania, 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 25, D. C.

Item No. 2  
7/29/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 29, 1966

Board of Directors,  
United California Bank,  
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by United California Bank, Los Angeles, California, at 794 South Central Avenue, Los Angeles, California, in connection with the acquisition of assets of Produce Clearings, Los Angeles, California, provided the activities of the branch are limited to the negotiating and processing of accounts receivable, factoring and related financing and billing transactions.

Your attention is called to the provisions of 12 U.S.C. 1828(c) which require the approval of the FDIC for an insured bank to assume liability to pay any deposits made in, or similar liabilities of, any non-insured institution. It is assumed that consideration has been or will be given to the necessity for such approval in connection with the acquisition of assets of Produce Clearings.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON, 25, D. C.

Item No. 3  
7/29/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 29, 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 at 1441 Franklin Street, Oakland, California, in connection with the acquisition of assets and mortgage servicing contracts of Pacific States Mortgage Company, provided the activities of this branch are limited to the negotiating, processing, and servicing of real estate mortgage loans.

Your attention is called to the provisions of 12 U.S.C. 1828(c) which require the approval of the FDIC for an insured bank to assume liability to pay any deposits made in, or similar liabilities of, any non-insured institution. It is assumed that consideration has been or will be given to the necessity for such approval in connection with the acquisition of assets of Pacific States Mortgage Company.

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  
7/29/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 29, 1966.

Boston Overseas Financial Corporation,  
67 Milk Street,  
Boston, Massachusetts. 02106

Gentlemen:

As requested in your letter of June 14, 1966, the Board of Governors grants consent for your Corporation ("BOFC") to purchase and hold up to 400,000 shares of 7 per cent Cumulative Junior Convertible Preferred shares of Alliance Credit Corporation ("Alliance"), St. Laurent, Quebec, Canada, at a cost of approximately US\$1,500,000, provided such preferred shares are acquired within one year from the date of this letter. In this connection, the Board also approves the purchase and holding of such shares in excess of 10 per cent of your Corporation's capital and surplus.

The Board also grants consent for your Corporation to exercise, partly or fully, at any time within five years from the date of your purchase of such preferred shares, the conversion rights contained therein, and to hold up to 50 per cent of the then outstanding common shares of Alliance.

The above consents are granted subject to the condition that Alliance will divest itself of its stock holding in New Hampshire Finance Corporation as promptly as practicable but in no event later than 30 months from the date of the acquisition of preferred shares of Alliance by BOFC.

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 First National Bank of Boston, and Bank of Boston International, 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.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

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Item No. 5  
7/29/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 29, 1966.



Bamerical International  
Financial Corporation,  
41 Broad Street,  
New York, New York. 10015

Gentlemen:

As requested in your letter of May 16, 1966, the Board of Governors grants consent for Bamerical International Financial Corporation ("BIFC") to subscribe to 50 per cent of the authorized capital stock of a financial corporation to be established in Luxembourg ("Luxembourg corporation"), at a total cost of approximately US\$1,250,000, provided such stock is acquired within one year from the date of this letter.

The Board of Governors also grants consent to the Luxembourg corporation to issue up to \$25,000,000 of its own guaranteed obligations in the European market. It is understood the Luxembourg corporation will not engage in underwriting obligations for distribution in the United States.

The Board also approves the subscription to shares of the Luxembourg corporation within the terms of the above consent in excess of 10 per cent of BIFC's capital and surplus.

The Board's consent is granted subject to the following conditions:

- (1) That BIFC shall not hold, directly or indirectly, any shares of stock in the Luxembourg corporation if the Luxembourg corporation 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 the Luxembourg corporation establishes any branch or agency, or takes any action, or undertakes any operation in Luxembourg or elsewhere, in any manner, which at the time would not be permissible to BIFC.

Bamerical International  
Financial Corporation

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- (2) That, when required by the Board of Governors, BIFC will cause the Luxembourg corporation to permit examiners selected or auditors approved by the Board of Governors to examine the Luxembourg corporation and to furnish the Board of Governors with such reports as it may require from time to time.

Upon completion of the proposed organization, it is requested that the Board of Governors be furnished, through the Federal Reserve Bank of New York, with the name and translation of the Articles of Association and By-Laws of the Luxembourg corporation.

The foregoing consent is given with the understanding that the investment now being approved 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 non-export 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. 1/

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

1/ By letter dated August 8, 1966, Bamerical International Financial Corporation was requested to substitute the following sentence for the last sentence: "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."

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

July 29, 1966.



Bankers International Corporation,  
16 Wall Street,  
New York, New York. 10015

Gentlemen:

As requested in your letter of June 28, 1966, as amended July 13, 1966, the Board of Governors grants consent for your Corporation to acquire 11,500 additional shares of Fabrica Espanola Magnetos S.A. ("FEMSA"), Madrid, Spain, at a cost of approximately US\$192,000, provided such shares are acquired within one year from the date of this letter.

The Board also approves the purchase of shares of FEMSA within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consent is given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation and Bankers Trust Company, 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 amounts 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.