

Minutes for August 3, 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>WM</u>
Gov. Robertson	<u>[Signature]</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, August 3, 1966. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Senior Adviser to the Board and
Director, Division of International Finance
Mr. Holland, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Kakalec, Controller
Mr. Harris, Coordinator of Defense Planning
Mr. Byrne, Director, Division of Data Processing
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Koch, Deputy Director, Division of Research
and Statistics
Mr. Gramley, Associate Adviser, Division of
Research and Statistics
Mr. Sigel, Associate Adviser, Division of
Research and Statistics
Mr. Sammons, Associate Director, Division of
International Finance
Mr. Kiley, Assistant Director, Division of Bank
Operations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Kern, Assistant Director, Division of
Administrative Services
Mr. Forrestal of the Legal Division
Mr. Dahl of the Division of International Finance
Mr. White of the Division of Bank Operations
Messrs. Goodfellow, Poundstone, and Sundberg of
the Division of Examinations
Mr. Smith of the Division of Administrative Services
Mr. Staiger of the Division of Data Processing

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

	<u>Item No.</u>
Letter to Union County Trust Company, Elizabeth, New Jersey, approving the establishment of a branch in Summit.	1
Letter to Marine Midland Trust Company of Western New York, Buffalo, New York, approving the establishment of a branch at 714 Tonawanda Street.	2
Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 2 Pennsylvania Plaza, Borough of Manhattan.	3
Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 5910 Clarendon Road, Borough of Brooklyn.	4
Letter to Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, approving the establishment of a branch at Broad Street and Columbia Avenue and an additional investment in bank premises.	5
Letter to The Union Commerce Bank, Cleveland, Ohio, granting an extension of time to establish a branch in the Rockport Shopping Center, Rocky River.	6
Letter to United California Bank, Los Angeles, California, granting an extension of time to establish a branch in Fresno.	7
Letter to Chase International Investment Corporation, New York, New York, suspending until further notice certain provisions in the Board's letter of March 30, 1965, relating to restrictions on acquisition by Liga Financiera S.A., Madrid, Spain, of shares of other corporations.	8

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Item No.

Order extending the period of time prescribed in the Board's order dated May 26, 1966, for United Bancshares of Florida, Inc., Miami Beach, Florida, to become a bank holding company through the acquisition of shares of The Miami Beach First National Bank, Miami Beach, and United National Bank, Miami.

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Letter to Northwest International Bank, New York, New York, regarding a proposal by that bank to form a corporation under Bahamian law and to acquire its issued and outstanding stock, to prevent loss on a debt previously contracted.

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In connection with Item No. 8, the Division of Examinations had suggested, as one alternative, revoking all of the conditions contained in the Board's letter of March 30, 1965, on condition that Chase International Investment Corporation would at no time hold more than 50 percent of the outstanding shares of Liga Financiera S.A. The Board preferred at this time only to suspend the provisions of subparagraph (1) of the second paragraph of the 1965 letter so far as they related to restrictions on the acquisition by Liga Financiera of shares of other corporations. The Board concluded that the broader question involved in the instant request was one to be considered in connection with the pending staff report on the current study of foreign operations of U.S. banks.

In connection with Item No. 10, the Legal Division had submitted a draft letter stating that the stock of the corporation to be formed in the Bahamas by Northwest International Bank should be disposed of upon

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repayment of the obligations secured by the mortgage to be held by said corporation, and in any event within four years from the date of acquisition of the stock of such corporation unless the time was extended by the Board or permission was obtained to hold such stock on a permanent basis.

Question was raised why a period as long as four years should be granted, and Mr. Forrestal said he would now propose a period of five years, the reason being that the obligations presently guaranteed by Butler's Bank, Ltd., of Nassau were secured by a mortgage. The final debt would mature in 1970, which meant that the mortgage would secure the obligations until that time. It was understood that the proposed Bahamian corporation would not do anything except hold the mortgage. The proposed letter was approved in a form providing a five-year period, but making it clear that the Bahamian corporation would not be used for any purpose except to hold the mortgage.

Reorganization of data processing. Discussion continued at this meeting concerning proposals for the reorganization of data processing, as set forth in the following memoranda that had been submitted with a cover memorandum from the Division of Data Processing dated July 20, 1966: (1) proposed computer-communications planning for the Federal Reserve System; (2) proposed reorganization of the Division of Data Processing; (3) a proposed interim solution to the Data Processing Division's space problems. At the Board's request, there had subsequently

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been distributed memoranda from the Divisions of Research and Statistics, International Finance, Examinations, and Bank Operations commenting on the foregoing proposals, particularly the reorganization, operating procedures, and responsibilities of the Data Processing Division.

In a distributed memorandum of August 1, Mr. Byrne summarized the results of discussions with the other four divisions in the light of their respective memoranda. He concluded that the common concern for flexibility and responsiveness was a valid one, that many "wrinkles" would have to be ironed out as the new philosophy was implemented, and that the Data Processing Division must be prepared to shift as required to respond to needs properly; that the Division should remain basically a service organization, charged with providing the best possible service it was capable of rendering; and that that should remain the principal concern of the Division. In order to assure sufficient flexibility in the proposed approach, he recommended: (1) that the scheduling of computer time to provide quick turnaround be performed in any way that would provide sufficient turnaround for all users and was consistent with the computer hardware-software system, with the understanding, however, that this would be done within the context of the proposed closed shop for computer operations; (2) that a group be established to provide continuing assessment of all computer-related services and to initiate whatever modifications to procedures were necessary in order to assure satisfactory service and adequate utilization of resources. He recommended that the

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group consist of a Board member, the heads of the Divisions of Research and Statistics, Bank Operations, Examinations, International Finance, Personnel Administration, and Data Processing, and the Controller.

Today's discussion began with a summarization by Mr. Farrell of the points raised in the memorandum from the Division of Bank Operations. He expressed concern that it be made clear that responsibility for monitoring the effectiveness of the use of resources in the operations of the Federal Reserve Banks would continue to reside in the Division of Bank Operations, with the understanding that the Division would call on the Division of Data Processing, where needed, for technical assistance. He pointed out that the proposal in one of the memoranda submitted with the July 20 cover memorandum from the Data Processing Division would assign a leadership role to that Division in the planning of a System communications network, and its expansion, whereas until now reliance for leadership had been placed primarily on System committees. Such a shift, he thought, might lead to unbalanced planning as opposed to an integration of System efforts.

Governor Shepardson responded that the first point mentioned by Mr. Farrell could be easily resolved. In May 1965 the Board issued directives specifying staff assignments in assisting the Board to discharge its responsibilities for exercising supervision over the Federal Reserve Banks. The directives clearly indicated that the function of the Division of Bank Operations was to monitor the efficiency of operations at the

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Reserve Banks. That responsibility should remain with the Division. If situations developed that required technical expertise, the Division of Bank Operations would go to the Division with particular competence in the given area, Data Processing for example, but the principal assignment to follow the operational efficiency of the Reserve Banks would remain with Bank Operations.

As to the second point mentioned by Mr. Farrell, Governor Shepardson said he inferred from yesterday's discussion that the Board proposed to defer detailed consideration of planning for a Systemwide computer-communications network. However, if the Board could arrive at a general position, that could be implemented through a committee of the kind proposed in Mr. Byrne's memorandum.

Governor Daane said he understood that it was not proposed to rule out continuing work by System committees; that is, parallel efforts. Governor Mitchell noted that the tone of the original staff memorandum had carried the implication of a shift of leadership responsibility away from the Federal Reserve Banks and System committees to a division of the Board's staff. He added that more work seemed necessary in order to negotiate the optimum leadership format in this area. Governor Shepardson commented that he saw a need for more leadership through participation in System committee work by Board staff members whose competence and ability would lift them into positions of influence. Governor Brimmer indicated that he favored productive participation by management

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personnel in the work of System committees rather than primary reliance on technical competence. Where management problems were involved, management people should be representing the Board on System committees, drawing on technical people as necessary for support.

Mr. Solomon then reviewed the memorandum from the Division of Examinations, his remarks indicating that no significant problems that could not be worked out in due course were seen by that Division in the proposed reorganization of the Data Processing Division.

Mr. Koch reported that a meeting of staff members of Research and Statistics and Data Processing yesterday had resulted in clearing up a number of misunderstandings, in terms of the problems and needs of the respective divisions and the manner in which computer operations were proposed to be conducted. As the Research Division now understood it, what was proposed was essentially a closed shop in terms of machine operation but not in terms of programming. However, the Research Division saw a need for the preparation of an addendum to the documentation illustrating how the proposed procedures would operate in specific cases. If that were done, with satisfactory results, he felt that the Research Division could support the program outlined by the Data Processing Division.

Mr. Byrne called attention to the distinction between Board-oriented operations at Culpeper and Systemwide operations. There was need for prompt decisions with respect to Culpeper so far as Board-oriented computer operations were concerned, whereas it was his understanding

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that the Board favored shelving temporarily the proposed computer-communications planning for the System as a whole so far as the Culpeper project was involved.

Mr. Byrne then listed several items, as follows, that he believed required immediate consideration in connection with the reorganization of the Board's data processing activities. First, he would like approval to proceed, along the general lines that had been proposed, to reorganize and staff the Division of Data Processing. Second, he would like approval for the Division of Administrative Services to proceed with the acquisition of necessary space. Third, he would suggest that the proposed committee be established and given responsibility for the ongoing assessment and arbitration of any details or problems that needed consideration. Fourth, consideration should be given to the organizational elements that should be moved when outside space became available. Fifth, consideration should be given to contracting for outside programming or related technical services to get over the hump of conversion to the new computer system.

Governor Robertson said that the discussions had been helpful to him and that he thought there were a number of items on which basic agreement could be achieved. In essence, what the Board desired was the best possible utilization of the computer to assist the various divisions of the Board in carrying out their functions. With the increase in computer capacity the Board must take into consideration the most efficient way

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to do that, keeping in mind that it was not the equipment that was important but the use made of it. He would think that it was not feasible to resolve all of the problems today, for some of the issues were too large. However, the Board could register its general approval of the concept of a closed-shop approach, with that term subjected to all of the refinements and limitations indicated by the Board's discussions and the exchange of staff memoranda, in order to facilitate the use of the computer equipment. The Board could also indicate that the type of Division organization that had been outlined bore its approval. That would not extend to approval of specific proposals, such as the exact number of people to be employed or the name of the Division. The Board's action today should relate primarily to the Board's own organization and computer operations, but that would not preclude further consideration of the long-range goal, which as he saw it was to bring into being an integrated System computer operation, with tie-ins from the Reserve Banks so that every Bank would have access to all of the information on the computer. While such a system would cost money, it would be economical in the long run because it would reduce some of the machine needs at individual Reserve Banks.

The first thing to do, Governor Robertson continued, seemed to be to establish a committee of the kind referred to in Mr. Byrne's memorandum. He was inclined to favor a small committee, but with the understanding that all divisions of the Board's staff could participate to the extent

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appropriate on an ad hoc basis. As its first job, the committee could undertake to reduce the memoranda already distributed to the Board to a concise document phrased in language that could be more easily understood, and worked out in such a way that there would be no doubt about the meaning of the closed-shop concept. When such a paper was available, the Board could decide whether to place a stamp of approval upon it and proceed from there. In the meantime, however, one of the things necessary was to provide the required space for the Board's data processing operations. The Board should authorize Governor Shepardson to proceed with plans for the required space. The Board should also authorize the retention of contractual programming assistance in order to expedite the conversion to the new computer system. Regarding the Systemwide computer-communications program, the Board should merely give its endorsement to the long-range objective, with plans expected to proceed on a cooperative basis. The Board should determine the best way of bringing together the most competent minds in the System for the purpose of working out ways and means of developing such a program. This, in turn, related to the operations at Culpeper, for it involved determining the kind of computer system needed at that place, not only for the short run but having in mind the desirability of being in such a position that at some point it would be possible to add machinery that would permit tying in all of the Federal Reserve Banks and branches.

Governor Shepardson suggested that the Board might be somewhat more specific in acting on the type and scope of organization that was

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contemplated. As stated in the pertinent distributed memorandum, it had been agreed with the Personnel Division and the Controller that the steps taken in recruitment of staff would be reviewed in the same manner as other positions in the Board's organization. But the Board could give specific approval to the type and general scope of organization that was contemplated, so that the Data Processing Division would be able to start recruiting for badly-needed help.

Governor Mitchell noted that there were already several full-time programming positions on the Board's staff outside the Data Processing Division. He assumed it was agreed that they should be transferred to the Division of Data Processing. It also seemed clear that the Division should be authorized to proceed with recruiting for statisticians and mathematicians having capabilities such as described in the memorandum. Beyond that, he was not so sure what was needed. Perhaps experts should be employed in data transmission and related fields to start working with the Reserve Banks, but that was a rather delicate area.

Governor Robertson said he understood that Governor Shepardson was proposing that the Board give general approval to the contemplated reorganizational approach, with the understanding that specific steps taken to employ additional staff would be subject to the usual review procedures and approval at Board level on behalf of the Board.

Governor Daane referred to the question of the closed-shop definition and said it was evident that staff could not have personal access

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to complex computer equipment in a free and easy way. However, he would like to have an addendum such as referred to by Mr. Koch prepared, in order to assure that potential users would have sufficient access to machine time. He would endorse the closed-shop approach, but only within the scope of the caveats introduced by the Research Division during the discussion. He agreed that steps should be taken as promptly as possible to obtain first-rate people for the Data Processing Division.

Governor Brimmer said he also would subscribe to the general approach only on the understanding that an addendum such as mentioned by the Research Division become part of the package.

In further discussion Governor Mitchell suggested that the proposed committee's assignment apparently would include the preparation of such an addendum as part of the package that would be brought back to the Board.

Governor Robertson again stated that there seemed to be no need to settle the whole issue today. However, the Board could give its approval to the general concept of a closed shop, as that term would be defined in the committee's document, and give its approval to the general type of proposed Division organization. Such an approach would be based on the idea of moving forward to build up an organization that would provide the best service to users when the new computer system came into full operation.

Mr. Byrne then discussed various staffing and conversion problems, along with the reasonable time table that might be involved, following

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which Governor Robertson said he hoped the proposed committee would also take into consideration the question Mr. Farrell had raised as to allocation of staff responsibilities.

There followed discussion of the make-up of the proposed committee, with the result that the Board approved the appointment of a committee consisting of a Board member (Governor Mitchell) as chairman, along with all of the division heads of the Board's staff except the Secretary and the General Counsel.

Governor Shepardson then commented that if the Board concurred with the principal facets of the proposed reorganization of the Data Processing Division it would not appear necessary that the organizational details be spelled out in the committee document. Instead, it would seem preferable to have a document slanted toward general principles and objectives. This would be, so to speak, a permanent charter, rather than just an addendum to the documentation already available. There was general agreement that that kind of charter document was desired from the committee.

Governor Shepardson also commented that up to now the space problem had been discussed on the theory that the Division of Data Processing would be the one to use the outside space. If there was sufficient objection to moving that unit--or parts of it--rather than some other unit, that would be a problem the Board would have to decide.

By general agreement the working out of the space problem was referred to Governor Shepardson for further study.

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The Board then approved the retention of contractual programming or related assistance for the Division of Data Processing as necessary in the conversion period, subject to the understanding that the steps taken to implement this action would comply with standing procedures and that specific arrangements for contractual assistance would be subject to the approval of Governor Shepardson.

As to the longer-range System program and the Culpeper operation, Governor Robertson suggested that consideration of those matters await the recommendations of the committee, and Governor Mitchell commented that it would seem well first to formulate the aforementioned charter document. Governor Shepardson suggested that the Board might endorse the general approach to the long-range program, subject to its working out by the committee, after which Governor Brimmer inquired whether it was intended that the leadership role be assigned to the Division of Data Processing. Governor Robertson observed that there was no intent today to go beyond endorsement of the broad objective; the committee would be expected to bring back implementing suggestions to the Board. Governor Brimmer agreed with this procedure, but added that he would not want to vest in the Division of Data Processing a leadership role such as appeared to be envisaged in the original memorandum. Governor Robertson noted that the Board was not at this stage vesting leadership in anyone. That matter would have to be considered by the Board when the committee developed suggestions on how to move toward the objective. On the basis of such recommendations, the Board would decide what formula to adopt.

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Governor Mitchell indicated that it was his understanding that at this point the Board was simply indicating its broad interest in a Systemwide computer-communications network. The first step would be to get the Board's own house in order so far as computer operations were concerned.

Governor Shepardson concluded the discussion with the observation that the Board had had before it staff documents that had struck fire, as might have been expected. A staff committee could have been appointed to work on the problems and try to evolve a document, but that would have been time-consuming. Under the procedure that had been followed, the Board had progressed much faster by having documentation put before it--with whatever faults it contained--to look at and consider specific problems. The debate had been wholesome, for it had brought out the nature of the principal problems involved.

Investments in and loans to foreign banks by member banks.

Governor Robertson referred to a distributed memorandum from the Legal Division dated July 29, 1966, submitting proposed draft regulations concerning investments in and loans to foreign banks by member banks, in order to supplement the recently enacted amendment to section 25 of the Federal Reserve Act authorizing member banks, with approval of the Board, to invest directly or indirectly in foreign banks and to make loans to such banks without regard to section 25 of the Federal Reserve Act, subject to such regulations and limitations as prescribed by the

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Board. (The amendment was part of the Act (Public Law 89-485) approved July 1, 1966, amending the Bank Holding Company Act.) He suggested that the Board also be presented a draft of alternative proposal that would eliminate the general consent provided by one section of the proposed draft regulations, and it was understood that that would be done.

All of the members of the staff except Messrs. Sherman, Kenyon, Young, and Holland then withdrew from the meeting.

Reports by Board members. Governor Robertson summarized the extent of his participation in steps being taken by the Administration to expedite Congressional consideration of proposed legislation to provide more flexible authority for the regulation of interest and dividends on time deposits and share accounts.

Following Governor Robertson's report, Governor Daane summarized the outcome of the Group of Ten meetings held at The Hague in the latter part of July on the subject of international monetary reform. He indicated that copies of the communique issued at the end of the meeting at The Hague would be distributed to the members of the Board for their information.

Fund and Bank meetings. Governor Shepardson reviewed alternative possibilities that had been considered for the entertainment of foreign central bankers attending the Fund-Bank annual meetings the latter part of September and stated reasons in favor of holding a reception at the Federal Reserve Building in place of the luncheons that had been tendered

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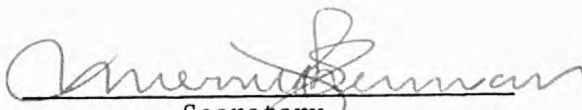
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in the past, with invitations perhaps extended to a list of persons going somewhat beyond foreign central bankers.

It was agreed that a reception should be held, tentatively on the afternoon of Monday, September 26, and it was understood that plans would go forward on that basis.

Secretary's Note: In subsequent discussions the Board decided that the reception should be held on Wednesday, September 28, and that invitations would be limited to foreign central bankers and their wives.

The meeting then adjourned.


Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
8/3/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966

Board of Directors,
Union County Trust Company,
Elizabeth, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Union County Trust Company, Elizabeth, New Jersey, of a branch at 295-299 Morris Avenue, Summit, New Jersey, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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.)

Item No. 2
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966



Board of Directors,
Marine Midland Trust Company
of Western New York,
Buffalo, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Marine Midland Trust Company of Western New York, Buffalo, New York, of a branch at 714 Tonawanda Street (approximately 385 feet from your existing branch at 752 Tonawanda Street), Buffalo, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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
8/3/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers Hanover Trust Company, New York, New York, of a branch at 2 Pennsylvania Plaza, Borough of Manhattan, New York, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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
8/3/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966



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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Manufacturers Hanover Trust Company, New York, New York, of a branch at 5910 Clarendon Road, Brooklyn, New York, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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. 5
8/3/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966

Board of Directors,
Fidelity-Philadelphia Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Fidelity-Philadelphia Trust Company, Philadelphia, Pennsylvania, of a branch at the northwest corner of Broad Street and Columbia Avenue, Philadelphia, Pennsylvania, provided the branch is established within one year from the date of this letter.

The Board of Governors also approves under the provisions of Section 24A of the Federal Reserve Act, an additional investment of \$48,000 in bank premises incident to the establishment of the branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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. 6
8/3/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966



Board of Directors,
The Union Commerce Bank,
Cleveland, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to February 17, 1967, the time within which The Union Commerce Bank, Cleveland, Ohio, may establish a branch in the Rockport Shopping Center, located in the vicinity of the intersection of Center Ridge Road and Wooster Road, Rocky River, Ohio.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 7
8/3/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to February 5, 1968, the time within which United California Bank, Los Angeles, California, may establish a branch in the vicinity of Van Ness Avenue, between Fresno and Tulare Streets, Fresno, California.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
8/3/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966.



Chase International
Investment Corporation,
1 Chase Manhattan Plaza,
New York, New York. 10005

Gentlemen:

In response to your request of April 28, 1966, the Board of Governors has reviewed the conditions contained in its letter of March 30, 1965, granting consent for your Corporation to purchase and hold up to 50 per cent of the shares of Liga Financiera S.A. ("LIGA"), Madrid, Spain, at a cost of approximately US\$833,334.

Subject to continuing observation and review, the Board of Governors suspends, until further notice, the provisions of subparagraph (1) of the second paragraph of its letter of March 30, 1965, so far as they relate to restrictions on acquisitions by LIGA of shares of other corporations.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

Item No. 9
8/3/66

UNITED STATES OF AMERICA

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

In the Matter of the Application of

UNITED BANCSHARES OF FLORIDA, INC.,
MIAMI BEACH, FLORIDA,

for permission to become a bank holding
company through acquisition of stock of
two banks in Florida.

ORDER EXTENDING PERIOD OF TIME PRESCRIBED
BY PROVISIO IN ORDER OF APPROVAL

WHEREAS, by Order dated May 26, 1966, the Board of Governors, Pursuant to section 3(a)(1) of the Bank Holding Company Act of 1956 (12 U.S.C. 1842(a)(1)) and section 222.4(a)(1) of Federal Reserve Regulation Y (12 CFR 222.4(a)(1)), approved an application on behalf of United Bancshares of Florida, Inc.; Miami Beach, Florida, pursuant to which it would become a bank holding company through the acquisition of 80 per cent or more of the voting shares of The Miami Beach First National Bank; Miami Beach, and United National Bank, Miami, both in Florida; and said Order was made subject to the proviso "that the acquisition so approved shall not be consummated . . . (b) later than three months after said date [of Order]", and

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WHEREAS, United Bancshares of Florida, Inc. has applied to the Board for an extension of time within which the approved acquisition may be consummated, and it appearing to the Board that reasonable cause has been shown for the extension of time requested, and that such extension would not be inconsistent with the public interest;

IT IS HEREBY ORDERED, that the Board's Order of May 26, 1966, as published in the Federal Register on June 3, 1966 (31 Federal Register 7927), be, and it hereby is, amended so that the proviso relating to the date by which the acquisition approved shall be consummated shall read "(b) later than October 25, 1966."

Dated at Washington, D. C., this 3rd day of August, 1966.

By Order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 10
8/3/66

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1966

Mr. H. Peter Giordano, Cashier,
Northwest International Bank,
40 Wall Street,
New York, New York. 10005

Dear Mr. Giordano:

This refers to your letter of July 19, 1966, requesting an advisory opinion of the Board as to whether the formation by Northwest International Bank ("NIB") of a corporation under Bahamian law, and the acquisition of 100 per cent of its issued and outstanding stock, would be permissible under the ninth paragraph of section 25(a) of the Federal Reserve Act (12 U.S.C. 615).

In your letter you state that NIB has extended credit to various companies in the Bahamas owned by Sir Sydney Oakes in connection with financing the shipment of U. S. manufactured equipment to such companies, and that these companies have now defaulted on their obligations in the aggregate principal amount of \$472,921.75, in which the interest of NIB is \$440,641.48 together with accrued interest of \$18,968.06 as of June 15, 1966.

You further state that a refinancing of a portion of the defaulted obligations in the principal amount of \$216,753.52 has been proposed whereby such obligations plus accrued interest would be repayable over a three-year period commencing February 18, 1967. As security for the defaulted obligations NIB would be given certain collateral of which the most important would be a mortgage on real estate under development in the Bahamas. Because of provisions of Bahamian law, a mortgage on Bahamian real estate may be held only by a Bahamian resident, and, therefore, it is proposed to organize a Bahamian corporation to hold the mortgage as trustee for NIB. This corporation would be named "Northwest International Ltd." and have an authorized capital of \$2,000, of which \$1,000 would be paid in by NIB.

Although judgments have been obtained on a substantial portion of these debts, it is understood that enforcement of the judgments in the Bahamas would be difficult in view of the lack of liquid assets held by the debtors. It is also understood that some of the debts are covered by Export-Import Bank and FCIA insurance but that certain irregularities have been reported in connection with the latter insurance, and a suit against FCIA, if successfully defended, would result in a very substantial loss to NIB.

The ninth paragraph of section 25(a) of the Federal Reserve Act provides, in part, that:

"Nothing contained herein shall prevent corporations organized hereunder from purchasing and holding stock in any corporation where such purchase shall be necessary to prevent a loss upon a debt previously contracted in good faith;"

It is the opinion of the Board that the above-quoted provision of section 25(a) has applicability to situations of the type described in your letter of July 19, 1966. On the basis of the facts presented, therefore, the Board has concluded that the formation of a Bahamian corporation and the acquisition of all of its stock (exclusive of qualifying shares) as part of the proposed refinancing arrangement are necessary to prevent a loss upon a debt previously contracted in good faith within the meaning of the ninth paragraph of section 25(a) of the Federal Reserve Act.

The Board's opinion is rendered on the understanding that the Bahamian corporation will engage in no activity, in the Bahamas or elsewhere, except that of holding a mortgage to secure the described debts previously contracted. The stock of the corporation to be formed in the Bahamas pursuant to the opinion expressed herein shall be disposed of when the obligations secured by the mortgage to be held by said corporation have been repaid, and in any event within five years from the date of acquisition of the stock of such corporation unless such time is extended by the Board or permission is obtained to hold such stock on a permanent basis.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.