

Minutes of the Board of Governors of the Federal Reserve System on Thursday, September 22, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Bakke, Assistant Secretary
 Mr. Fauver, Assistant to the Board
 Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Associate General Counsel
 Mr. O'Connell, Assistant General Counsel
 Mr. Shay, Assistant General Counsel
 Mr. Sammons, Associate Director, Division of International Finance
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Goodman, Assistant Director, Division of Examinations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Morgan, Staff Assistant, Board Members' Offices
 Mr. Forrestal, Senior Attorney, Legal Division
 Messrs. Egertson and Maguire, Supervisory Review Examiners, and Mr. Poundstone, Review Examiner, Division of Examinations

Approved letters. The following letters, copies of which are attached under the respective item numbers indicated, were approved unanimously following consideration of background material that had been made available to the members of the Board:

Item No.

Letter to Manufacturers Hanover Trust Company, New York, New York, approving the establishment of a branch at 111 Broad Street, Borough of Manhattan.

1

9/22/66

-2-

Item No.

2

Letter to the Federal Reserve Bank of Minneapolis waiving assessment of penalties incurred by Northwestern National Bank, Hopkins, Minnesota, because of deficiencies in its required reserves.

Proposed establishment of Chinese American Bank (Item No. 3).

There had been distributed a memorandum from the Division of Examinations dated September 16, 1966, summarizing information supplied by the Federal Reserve Bank of New York with respect to a proposal by the Bank of China (Taiwan), a commercial bank wholly owned by the Government of the Republic of China, to establish a State-chartered bank in New York City, to be called "The Chinese American Bank." Bank of China would own all of the stock except directors' qualifying shares.

The Banking Department of the State of New York had solicited the comments of the New York Reserve Bank and of the Board with respect to this proposal, reporting that the Comptroller of the Currency had expressed opposition on the grounds that the two branches of American banks operating in Taiwan--First National City Bank, New York, and Bank of America National Trust and Savings Association, San Francisco--were not permitted to receive local deposits, whereas it was contemplated that The Chinese American Bank would exercise such authority in New York. The U.S. Department of State had concurred with the Comptroller's views regarding the desirability of reciprocity, but had indicated that from a policy standpoint it saw no objection to the proposal.

9/22/66

-3-

The New York Reserve Bank proposed to advise the State Banking Department that, while it was not disposed to object to Bank of China's proposal, it might be well to remind The Chinese American Bank of possible problems that could arise through subjecting an instrumentality of a foreign government to State banking laws, regulations, and supervisory policies.

Attached to the Division's memorandum was a draft of letter to the New York Reserve Bank suggesting that in the interest of reciprocity the Chinese authorities should be induced to grant broadened deposit powers to the two American branches operating in Taiwan if The Chinese American Bank desired full charter powers in the State of New York, and that the State Banking Department might wish to defer granting a charter to The Chinese American Bank until this matter of reciprocity was satisfactorily resolved.

In comments supplementing the memorandum, Mr. Goodman commented that, in the alternative, the Board might wish either to offer no comment at all or merely to express concurrence in the New York Reserve Bank's views. He noted that while the American branches in Taiwan still had no local deposit authority, the Chinese Government had agreed to place substantial time deposits with each branch as a gesture in the direction of moderating the discriminatory treatment.

Governor Robertson suggested that the Board offer no comments concerning the proposal, on the grounds that it would be inappropriate

9/22/66

-4-

for the Board to assume the posture of seeking to intervene on behalf of foreign branches of American banks with respect to the regulation of their activities by host governments.

Governor Maisel expressed a view that the more fundamental question seemed to be the propriety of a foreign government operating a commercial bank in the United States, a subject in which the Board had a legitimate interest in light of its bank supervisory responsibilities.

Governor Robertson observed that the question was essentially one of foreign relations. In this particular instance the Department of State had indicated no objection from a policy standpoint, and he felt the Board should accept that determination as conclusive with respect to the question cited by Governor Maisel.

Governor Shepardson observed that even so the Board had a supervisory interest, and therefore perhaps it would be appropriate for the Board to offer comments to the Department of State for its consideration in evaluating proposals of this nature.

Governor Maisel agreed that it would seem desirable to establish a framework for Governmental consideration of such matters, perhaps through the National Advisory Council on International Monetary and Financial Policies, particularly since the State Department had a limited staff to deal with matters of this sort.

Governor Shepardson then alluded to the possibility of awkward problems arising from subjecting a foreign government's banking institution

9/22/66

-5-

to State supervisory requirements and raised the question whether it might be desirable to establish such organizations under national charters.

Mr. Shay commented that the Joint Economic Committee of the Congress had made such a recommendation in connection with a study of foreign banking in the United States conducted earlier this year, and Senator Javits had recently introduced a bill (S. 3765) to carry out that recommendation.

Governor Shepardson noted that he was familiar with the Javits bill. While this was not the time to pursue the matter in detail, he wished to point out a potential conflict involved between the traditional jurisdiction of the Board over foreign banking activities and the authority proposed to be given the Comptroller of the Currency in that legislation. For the sake of consistency, it would seem that Federal regulatory authority over foreign banking in the United States should be vested in the Board, since it already had jurisdiction over the activities of American banks, both State-chartered and national, doing business abroad.

Returning to the instant question, Chairman Martin observed that, while the Department of State had certain responsibilities concerning the foreign relations aspects of banking matters, the Department's facilities were limited. He raised the question whether the Board should remain silent concerning the discriminatory treatment of American banks operating abroad, as in the present case. He noted that there appeared

9/22/66

-6-

to be sentiment in some quarters that the Board had not been pursuing with sufficient vigor attempts to assist in resolving problems encountered by American banks in their foreign activities arising out of local discriminatory restrictions, and he thought something could be said for citing the reciprocity question for consideration of the New York Banking Department in this case. In his opinion, the time to raise the matter of discrimination against our banking institutions abroad was when a proposal to begin or expand banking operations in the United States emanated from the country imposing or condoning such discrimination. Thus, the matter of discrimination against American banks in Taiwan might be an appropriate factor to bring to the attention of the State authorities in this case for such consideration as they wished to give it.

Governor Brimmer expressed agreement with Chairman Martin's remarks. He believed situations of this sort should be reviewed more systematically with an eye toward taking advantage of opportunities to encourage reciprocity, and he hoped that a philosophy along such lines could be implemented more vigorously in the future.

It was understood that the staff would revise the draft letter to take into account the foregoing consensus, and transmittal of such letter was authorized. A copy of the letter transmitted is attached as Item No. 3.

Messrs. Sammons, Goodman, Forrestal, and Poundstone then withdrew from the meeting.

9/22/66

-7-

Public Bank matter (Items 4-6). In continuation of reports made at previous meetings concerning the status of negotiations for the acquisition of assets and assumption of liabilities of Public Bank by Bank of the Commonwealth, both of Detroit, Michigan, Mr. Leavitt commented on recent developments. He stated that earlier this week staff members of the Board and of the Federal Deposit Insurance Corporation met with the Michigan Commissioner of Banking and counsel for Bank of the Commonwealth. At that time it was agreed that the State Commissioner and the Federal Deposit Insurance Corporation would furnish the Board with letters advising that the proposed merger was necessary in order to prevent the probable failure of Public Bank, thereby laying the foundation for immediate approval of the transaction by the Board and waiver of the statutory waiting period before consummation could be accomplished.

Mr. Shay added that following the meeting a member of the Corporation's staff had advised him that, although the Corporation was prepared to transmit such a letter, it was felt the State Commissioner's letter should be received first.

Mr. Leavitt continued by saying that the State Commissioner's letter had been received yesterday. Upon communicating this advice to the Corporation's staff, he and Mr. Shay were advised that in light of certain recent developments it was not now clear that emergency action on the merger was necessary. It was indicated that Public Bank appeared to be receiving sufficient new deposit business to enable daily clearings

9/22/66

-8-

to be met, and that the need for further borrowing from the Chicago Reserve Bank might diminish.

Mr. Leavitt had inquired whether the Corporation would be disposed to favor action by the Board under the provisions of the Bank Merger Act accelerating the time for receipt of competitive factor reports from other interested agencies to 10 days and permitting consummation 5 days after approval, but no definitive response had been received. In a subsequent telephone conversation with the Michigan Commissioner of Banking, that official had expressed the view that Public Bank's condition was precarious and, while he would not object strongly to the so-called "10-day" procedure, he would prefer to see immediate consummation of the merger permitted under the "failing bank" authority in the Act. He had also reported that discussions with the directors of Public Bank indicated that they know of no active interest by banks, other than Bank of the Commonwealth, in effecting a merger. Therefore, he believed the present proposal represented the only recourse short of closing the bank.

Other facts reported by the State Commissioner were that: (1) stock of Public Bank had recently been traded at \$5 per share, contrasted with a previous price of \$2.50 per share, suggesting speculative activity; (2) the City of Detroit had a sizable unsecured deposit with the bank, which was a matter of concern to him in view of the bank's condition. Because of the deterioration in the bank's condition, on June 28 the

9/22/66

-9-

3557

Commissioner had ordered the directors of Public Bank to levy an assessment of \$12.44 per share on the bank's stock, to be paid August 28, but payment of that levy had been extended to November 28 due to an intervening action by the Federal Deposit Insurance Corporation under section 8(a) of the Federal Deposit Insurance Act to terminate the bank's insured status because of continuing unsafe or unsound practices in conducting its affairs. The Commissioner had asked Public Bank to mail a proxy statement to its shareholders today to inform them of the assessment, but because of printing delays it probably would not be sent until next Monday at the earliest.

Mr. Leavitt also indicated that most of the \$6.4 million currently outstanding in advances from the Chicago Reserve Bank to Public Bank would fall due for repayment or extension tomorrow, and President Scanlon of the Chicago Reserve Bank had indicated concern about further renewal of this borrowing if emergency circumstances no longer existed.

In concluding his remarks, Mr. Leavitt stated that the Division of Examinations had intended to recommend approval of the proposed merger under the "failing bank" provisions of the Bank Merger Act at today's meeting, but such action was not now being recommended because of failure to receive the anticipated letter from the Federal Deposit Insurance Corporation that would support a finding of "probable failure."

Mr. Shay summarized the alternatives available under the provisions of the Bank Merger Act. If immediate consummation of a merger was found

9/22/66

-10-

necessary to prevent a probable bank failure, the Board could forego requests for competitive factor reports from the other banking agencies and the Department of Justice, and waive imposition of a waiting period following approval. Under the so-called 10-day procedure, which could be invoked in cases not involving probable failure but where expedited action was indicated because of emergency circumstances, the usual 30-day period for submission of competitive factor reports was reduced to 10 days, and consummation could be allowed 5 days after approval (rather than imposing a 30-day waiting period). One way of resolving the dilemma faced by the Board in the present instance would be to commence action on the application under the 10-day provision of the Act; if the situation were to change for the worse in the meantime, it would still be possible to revert to immediate approval under the "failing bank" provision.

In this connection, Mr. Shay noted that one fact militating against immediate action was the status of the record in this case, which left a great deal to be desired; it consisted largely of oral and sometimes conflicting representations. Furthermore, the vacillation of staff of the Federal Deposit Insurance Corporation created a climate of uncertainty as to whether the failing bank doctrine was applicable.

In response to a question by Governor Robertson, Mr. Shay indicated that the FDIC staff's present thinking was apparently that it was not clear that a failing bank situation existed, and that perhaps the problem faced by the bank might be resolved in some manner other than through the contemplated merger.

9/22/66

-11-

3559

Governor Robertson then inquired what the Corporation was expecting in the way of Board action, and Mr. Shay responded that the 10-day procedure appeared to have current favor among the Corporation's staff involved in the case, although no official indication to that effect had been received.

Governor Robertson expressed concern that the merger application filed by Bank of the Commonwealth was in an extremely curtailed form, and did not appear to contain sufficient factual material to allow assessment of the situation.

Governor Brimmer reviewed the background of Board consideration of the case to date, noting that throughout the period of Federal Reserve involvement the Board had been urging that all necessary steps be taken toward expediting the merger. For this reason, the abbreviated application did not particularly concern him, but he was surprised about the apparent shift of position by the Federal Deposit Insurance Corporation.

Governor Maisel suggested that the proper procedure at this stage would seem to be for the Board to ask Chairman Randall and Director Sherrill for the Corporation's decision on the course to be followed.

Governor Robertson reiterated his concern that the Board was in a difficult position with respect to action on the proposed merger because virtually all of the information in its possession was second-hand, having come from the Michigan Commissioner and the Federal Deposit Insurance Corporation. He felt it important that a copy of the most recent examination report of Public Bank be made available.

9/22/66

-12-

3560

Chairman Martin inquired about President Scanlon's views, and Mr. Sherman reported that in a telephone call this morning (one of several recent calls) Mr. Scanlon expressed dismay at the way the merger negotiations had dragged on, since it had been at the Corporation's request, based upon allegation of an emergency situation, that Reserve Bank credit had initially been extended to Public Bank. During subsequent discussions by Mr. Scanlon with the Corporation and with Bank of the Commonwealth, representations of a continuing emergency condition had been made, upon which further extensions of credit had been based. Now, however, in view of the apparent shift in the Corporation's position, Mr. Scanlon was concerned about continuing to allow Public Bank, a non-member institution, access to the discount window.

Governor Shepardson stated that he, too, was disturbed by the Corporation's apparent shift of position, in light of earlier conversations with him in which Chairman Randall had urged that the Board be prepared to act on a merger application as expeditiously as possible. He felt that some specific statement from the Board of the Corporation was needed for the record.

Chairman Martin concurred in that suggestion, particularly in view of the borrowing maturity tomorrow. He proposed that Governor Shepardson be requested to discuss the matter on behalf of the Board with Chairman Randall or Director Sherrill of the Corporation and ask for a written statement of the Corporation's recommendation, along with a copy of the examination report of Public Bank.

9/22/66

-13-

It was understood that Governor Shepardson would proceed as indicated, and that he would also maintain close liaison with President Scanlon.

Secretary's Note: Subsequent to this meeting a copy of the latest report of examination of Public Bank was obtained from the Federal Deposit Insurance Corporation, after which Governors Shepardson and Robertson met with Chairman Randall and Director Sherrill. A letter relating to the condition of Public Bank was then received over the signature of Chairman Randall. In the light of all of the information thus obtained, in addition to that previously received, the available members of the Board (Chairman Martin and Governors Robertson, Shepardson, Daane, and Maisel) approved unanimously the application of Bank of the Commonwealth to acquire the assets and assume the liabilities of Public Bank, this action being deemed necessary in order to prevent the probable failure of Public Bank. The Board authorized the issuance of an order and statement reflecting the decision to approve the application; copies of the order and statement as issued on September 23 are attached as Items 4 and 5, respectively. A copy of the letter sent to Bank of the Commonwealth is attached as Item No. 6.

Messrs. O'Connell, Shay, Leavitt, Egertson, and Maguire then withdrew from the meeting.

Appointment of director at Pittsburgh Branch. In view of the resignation on July 1, 1966, of Dr. G. L. Bach as a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland, incident to his acceptance of a position at Stanford University, it was agreed to ascertain through the Chairman of the Cleveland Reserve Bank whether

9/22/66

-14-

Frank Barker Chase, President of Kaufmann's Department Stores, Pittsburgh, Pennsylvania, would accept appointment, if tendered, as a director of the Pittsburgh Branch for the unexpired portion of Dr. Bach's term ending December 31, 1966, and for a further three-year term beginning January 1, 1967, with the understanding that if it were found that he would accept, the appointment would be made.

If it developed that Mr. Chase could not accept the appointment, it was understood that similar inquiry would be made with respect to the availability of Richard Michael Cyert, Dean, Carnegie Institute of Technology, Pittsburgh, Pennsylvania.

Call for condition reports. Under the procedure prescribed by statute, the close of business on Tuesday, September 20, 1966, had been selected as the date for the third call for reports of condition to be made by insured banks within the calendar year 1966. The call was to be announced on Friday, September 23. Accordingly, the usual telegram was sent to all Federal Reserve Banks on September 21, 1966, requesting that a call be made upon member State banks on September 23 for reports of condition as of the close of business September 20.

The sending of the telegram was ratified by unanimous vote.

The meeting then adjourned.

Secretary's Notes: Governor Shepardson today approved on behalf of the Board the following items:

9/22/66

-15-

Letter to the Federal Reserve Bank of New York (copy attached as Item No. 7) approving the appointment of Richard S. Bishop as assistant examiner.

Letter to the Federal Reserve Bank of Minneapolis (copy attached as Item No. 8) regarding arrangements for the assignment of Arthur I. Lee, Department Head, Fiscal Agency Department, to the Board's Division of Bank Operations for a period of approximately three months beginning October 1, 1966.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

Maria Cecilia DeNardo as Clerk, Division of Administrative Services, with basic annual salary at the rate of \$4,269, effective the date of entrance upon duty.

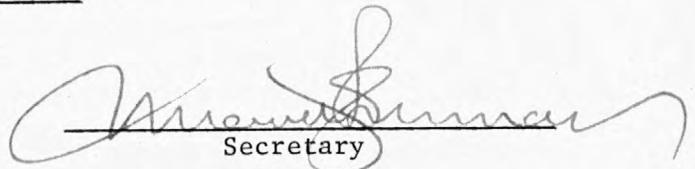
Salary increase

Ralph C. Bryant, Economist, Division of International Finance, from \$10,927 to \$12,873 per annum, effective September 25, 1966.

Acceptance of resignation

Frederick C. McGrady, Budget and Planning Assistant, Office of the Controller, effective the close of business September 26, 1966.

With the approval of the available members of the Board (Governors Robertson and Shepardson), a wire was sent to the Federal Reserve Bank of San Francisco on September 23, 1966, advising that the Board had approved an application by Wells Fargo Bank, San Francisco, California, for permission to operate a limited banking facility on the University of California campus at Davis, California, from 10:00 a.m. to 5:00 p.m. on September 25, 1966. A copy of the confirming letter to Wells Fargo Bank is attached as Item No. 9.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
9/22/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 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 111 Broad Street, Borough of Manhattan, New York, New York, provided the branch is established within two years from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 2
9/22/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1966

Mr. Hugh D. Galusha, Jr., President,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440

Dear Mr. Galusha:

This refers to your letter of September 1, 1966, regarding deficiencies in reserves of the Northwestern National Bank, Hopkins, Minnesota, in the first 16 reserve computation periods during 1966, for which penalties would total \$3,200.92.

It is noted that since January the member bank has inadvertently included its reserve account in Demand Balances Due From Banks when submitting reports for reserve purposes; that the error, which arose from a revision by the bank of its office statement, was discovered in reconciling its report of net deposits with its June 30 report of condition; that the bank previously had a good record of maintaining its reserves; and that your Bank is satisfied the mistakes were inadvertent.

In the circumstances, the Board authorizes your Bank to waive assessment of penalties totaling \$3,200.92 for the 16 reserve computation periods ending August 17, 1966.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
9/22/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1966.

Mr. Fred W. Piderit, Jr., Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Piderit:

This refers to your letter of August 26, 1966, advising that you had been informed by the Banking Department of the State of New York that an organization certificate has been filed for the chartering of a new bank under the name "The Chinese American Bank" to be located at 225 Park Row, New York, New York. All of the stock of the bank, except for directors' qualifying shares, would be owned by Bank of China, Taipei, Taiwan, Republic of China.

It is noted that the Banking Department stated that, in connection with its investigation, it would be pleased to consider any comments regarding the application you would care to make, and that the Banking Department had suggested to you informally that the Board of Governors also may wish to comment on the proposal.

You state that you propose to inform the Superintendent of Banks of the State of New York that you are disposed to interpose no objection to the establishment of the proposed bank and that you would also suggest that if the application is to be approved the Superintendent of Banks remind "The Chinese American Bank" of the possibility of international friction and of embarrassing problems that could arise in the operation of the bank through the incidence of governing State laws and regulations and policies of local supervisory authorities.

From the information contained in your letter, it would appear that the Taiwan branches of First National City Bank, New York, and Bank of America National Trust and Savings Association, San Francisco, are not permitted to receive local deposits except in the case of certain United States Government funds and the proposed deposits of the Government of the Republic of China. On the other hand, "The Chinese American Bank" would be free to receive

3567

Mr. Fred W. Piderit, Jr.

-2-

local deposits in New York. This raises a question as to appropriate reciprocity. In these circumstances, the Superintendent of Banks may wish to consider this question as one of the factors involved in determining whether to grant a charter to the proposed "The Chinese American Bank". It will be appreciated if you will inform the Banking Department of the State of New York of the Board's views in this respect.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Item No. 4
9/22/66

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of
BANK OF THE COMMONWEALTH
for approval of acquisition of
assets of Public Bank

ORDER APPROVING ACQUISITION OF BANK'S ASSETS

There has come before the Board of Governors, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1823(c), Public Law 89-356), an application by Bank of the Commonwealth, Detroit, Michigan, a State member bank of the Federal Reserve System, for the Board's prior approval of that bank's acquisition of assets and assumption of deposit liabilities of Public Bank, Detroit, Michigan, and, as an incident thereto, Bank of the Commonwealth has applied, under section 9 of the Federal Reserve Act, for the Board's prior approval of the establishment by that bank of branches at the locations of the 11 offices of Public Bank.

Published notice of the proposed acquisition of assets and assumption of deposit liabilities and requests for reports on the competitive factors involved therein have been dispensed with as authorized by said Bank Merger Act.

Upon consideration of all relevant material in the light of the provision of said Act,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said applications be and hereby are approved and that said acquisition of assets and assumption of deposit liabilities and establishment of branches may be consummated immediately, but not later than three months after the date of this Order.

Dated at Washington, D. C., this 23rd day of September, 1966.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and Governors Robertson, Shepardson, Daane, and Maisel.

Absent and not voting: Governors Mitchell and Brimmer.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

APPLICATION OF BANK OF THE COMMONWEALTH
FOR APPROVAL OF ACQUISITION OF
ASSETS OF PUBLIC BANK

STATEMENT

Bank of the Commonwealth, Detroit, Michigan ("Commonwealth"), with total deposits of approximately \$592 million, has applied pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior approval of its acquisition of assets and assumption of deposit liabilities of Public Bank, Detroit, Michigan ("Public"), which has total deposits of about \$108 million.^{1/} As an incident to the transaction, the 11 offices of Public would become branches of Commonwealth, increasing the number of its offices to 51.

The application was made to remedy a situation found by the Board, on the basis of the information before it, including communications from the Commissioner of Banking for the State of Michigan and the Federal Deposit Insurance Corporation, to require that the Board act immediately pursuant to the provisions of Public Law 89-356, 89th Congress (Feb. 21, 1966) in order to safeguard depositors of Public, a nonmember insured State bank.

^{1/} Deposit figures are as of June 30, 1966.

The anticompetitive effects attributable to effectuation of the transaction would be clearly outweighed in the public interest by the considerations supporting and requiring the aforementioned finding. From the record in the case, it was the Board's judgment that any disposition of the application other than permitted by the Board's Order would have been inconsistent with the best interest of the depositors of Public.

Accordingly, the Board concludes that the proposed transaction should be approved on a basis that would not delay consummation of the proposal.

September 23, 1966.

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

Item No. 6
9/22/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 23, 1966.



REGISTERED - RETURN
RECEIPT REQUESTED

Bank of the Commonwealth,
719 Griswold Street,
Detroit, Michigan. 48226

Gentlemen:

The Board of Governors has approved the application, under the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), for the Board's prior consent to the acquisition of assets of Public Bank, Detroit, Michigan, and the assumption of deposit liabilities of that bank by Bank of the Commonwealth, Detroit, Michigan.

Enclosed are the Board's Order of this date, the accompanying Statement, and the press release on this action.

As you are aware, Bank of the Commonwealth's capital position is not entirely satisfactory, and this proposed acquisition will place an additional burden on the bank's capital structure. The Board understands the directorate will propose a program for increasing total capital funds in early 1968. The Board urges that the capital increase program be accelerated if conditions permit.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
9/22/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1966

Mr. Fred W. Piderit, Jr., Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Piderit:

In accordance with the request contained in your letter of September 20, 1966, the Board approves the appointment of Richard S. Bishop as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

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
9/22/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 22, 1966

Mr. Hugh D. Galusha, Jr., President,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440.

Dear Mr. Galusha:

In accordance with the tentative arrangements made with Cashier John MacDonald by the Board's Division of Bank Operations, it is understood that your Bank will make available for a period of approximately three months, beginning October 1, 1966, the services of Mr. Arthur I. Lee, Department Head, Fiscal Agency Department of your Bank. While in Washington, Mr. Lee will be assigned to the Operations Analysis Section of the Board's Division of Bank Operations, but it is also hoped he will have an opportunity to become generally familiar with the work of the Division as a whole and to visit other divisions of the Board.

It is understood that the Federal Reserve Bank of Minneapolis will absorb all of Mr. Lee's salary and travel expenses in connection with the assignment.

The Board of Governors appreciates the cooperation of your Bank in making the services of Mr. Lee available during this period.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman
Secretary.



3575

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

Item No. 9
9/22/66



**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

September 23, 1966

**Board of Directors,
Wells Fargo Bank,
San Francisco, California.**

Gentlemen:

The Board of Governors of the Federal Reserve System approves the operation of a limited banking facility at 550 Oxford Circle on University of California Campus at Davis, California, on Sunday, September 25, 1966, from 10:00 A. M. to 5:00 P. M.

Very truly yours,

(Signed) Karl E. Bakke

**Karl E. Bakke,
Assistant Secretary.**