

Minutes for September 26, 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>RM</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 Monday, September 26, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Broida, Assistant Secretary  
Mr. Holland, Adviser to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Solomon, Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Miss Eaton, General Assistant, Office of the Secretary  
Mr. Furth, Consultant

Messrs. Brill, Koch, Garfield, Williams, Axilrod, Eckert, Ettin, Fry, Keir, Kelty, and Rosenblatt of the Division of Research and Statistics

Messrs. Hersey, Reynolds, Baker, Bryant, and Gemmill of the Division of International Finance

Money market review. Mr. Axilrod reported on recent developments in domestic financial markets and Mr. Reynolds reported on foreign exchange markets, the London gold market, and the balance of payments situation. Tables distributed in connection with today's review have been placed in the Board's files.

Following a discussion of the reports, all members of the staff except Messrs. Sherman, Fauver, Solomon, and Leavitt, and Miss Eaton withdrew and the following entered the room:

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Mr. Hexter, Associate General Counsel  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Shay, Assistant General Counsel  
 Mr. Sanders, Senior Attorney, Legal Division  
 Mr. Smith, Attorney, Legal Division  
 Mr. Egertson, Supervisory Review Examiner,  
 Division of Examinations  
 Messrs. Burton and Lyon, Review Examiners,  
 Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Atlanta and Minneapolis on September 21, 1966, and by the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Kansas City, and Dallas on September 22, 1966, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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 material that had been made available to the Board:

	<u>Item No.</u>
Letter to Central Home Trust Company, Elizabeth, New Jersey, approving the establishment of an in-town branch.	1
Letter to Liberty Trust Company of Maryland, Cumberland, Maryland, approving an investment in bank premises.	2
Letter to Southside Bank, Tappahannock, Virginia, approving an investment in bank premises.	3

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Item No.

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Letter to Trust Company of Georgia, Atlanta, Georgia, approving an investment in bank premises.

Dormant accounts held by Reserve Banks (Items 5 and 6). In a letter of August 31, 1966, President Irons of the Dallas Reserve Bank had asked for the Board's guidance in responding to two communications from the Texas State Treasurer requesting the Bank to comply with the State's statute (escheat law) relating to duties of depositories of dormant or inactive accounts. A memorandum from the Legal Division dated September 21, 1966, had been distributed to the Board.

In comments on the request, Mr. Sanders noted that it had been the Board's position that the Reserve Banks should refrain from compliance with State unclaimed or abandoned property statutes, and in following that position the Dallas Bank might (1) fail to respond to the communications, (2) respond by a letter that merely acknowledged receipt of the communications, or (3) respond by a letter asserting that the Reserve Bank was exempt, as the Bank had suggested.

In a discussion of the matter, Governor Robertson recalled that the subject of unclaimed or abandoned property statutes was a matter of System-wide consideration in 1962. It had been discussed with officials of the Treasury Department at that time and their attitude had been that the System was exempt as to fiscal agency accounts. His judgment on the matter would be that the System ought to face up to the situation and

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simply say it would not comply, and Governor Brimmer agreed that the Board should not simply pass the question along to the Reserve Banks.

Mr. Shay commented that some of the Reserve Banks had been successful in treating this as a routine matter and not responding, which suggested that possibly to take a position that the System was exempt might be a little too specific. He was not arguing the position one way or the other, but was simply pointing out that there were 50 different State statutes, so that different situations could arise.

Mr. Hexter remarked that the Board had taken the position that the Reserve Banks should claim exemption should the occasion arise and that the Banks might be reluctant to come into conflict with the State authorities unnecessarily.

Mr. Sanders pointed out there was a strong possibility that a State would hold that the Reserve Bank was not exempt--it was his personal belief that the Banks were not exempt in all cases.

Governor Robertson expressed the view that the Reserve Banks should be advised that they were exempt. In a Board letter dated July 18, 1963, the Reserve Banks had been advised it would be preferable to refrain from complying with the State statutes. He thought the Board ought to let the matter be tested and if the Banks were exempt let it be known. If not, that should be known also.

It was agreed that a letter would be sent to all Reserve Banks stating that the Banks should take the position they were exempt from

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such statutes. A copy of the letter sent pursuant to this understanding is attached to these minutes as Item No. 5. A copy of the letter sent to the Dallas Bank is attached as Item No. 6.

Messrs. Shay and Sanders then withdrew from the meeting.

Associated Bancorporation matter (Item No. 7). In a memorandum from the Legal Division dated September 21, 1966, it was recalled that Associated Bancorporation, Milwaukee, Wisconsin, had pending before the Board an application for permission to become a bank holding company through acquisition of 80 per cent or more of the voting shares of two nonmember insured banks in Wisconsin, including Milwaukee Western Bank, Milwaukee. The applicant had now petitioned that the Board order that the filing of the Hearing Examiner's report and recommended decision on the application and all other action in the proceeding be stayed until February 15, 1967, or until further order of the Board entered prior to that date. Applicant also asked that its petition and specific matters referred to therein be held by the Board as confidential. For reasons stated in its memorandum, the Legal Division recommended that the request of applicant for a stay of proceedings be granted.

Mr. O'Connell said it was the staff's belief that no substantial improvement in the condition of Milwaukee Western Bank had taken place. However, there would be another examination around the first of December of this year and the bank's current position would then be a matter of record.

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Governor Brimmer asked whether there was any good reason why the Board should not act on this application now, and Mr. O'Connell replied that the Board could only do so after the hearing had been reopened, so as to include evidence about the bank's condition. Governor Brimmer commented that in effect after February 15, 1967, the Board would have a new case. He felt this involved undue prolongation of an administrative matter. It would be expensive and time-consuming if the Board set out to get a hearing on the basis of material as of a given date and then, at the request of the applicant, suspended that and for all practical purposes went through the same thing after another examination.

There followed further discussion during which Governor Mitchell expressed the view, with which Governor Maisel concurred, that there would be no harm to the public interest in granting the postponement, which was requested by the applicant. Reference also was made to the various reasons cited in the distributed memorandum that would argue in favor of going along with the request.

It was then agreed that a letter would be sent to the attorney for Associated Bancorporation granting the request for extension until February 15, 1967, of the stay of proceedings contained in the Board's order of May 11, 1966. Governor Brimmer voted against such action for the reasons he had stated. A copy of the letter is attached to these minutes as Item No. 7.

The meeting then adjourned.

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Secretary's Notes: On September 23, 1966, Governor Shepardson approved on behalf of the Board a memorandum from the Division of International Finance recommending an increase in the basic annual salary of George G. Noory, Administrative Assistant in that Division, from \$8,479 to \$9,221, effective October 9, 1966.

Governor Shepardson also approved on behalf of the Board on September 23, 1966, a request from Melvin E. Moore, Laborer, Division of Administrative Services, for permission to work as a guard for a detective agency on a part-time basis.



Kenneth G. Berman  
Secretary

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

Item No. 1  
9/26/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1966

Board of Directors,  
Central Home Trust Company,  
Elizabeth, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Central Home Trust Company, Elizabeth, New Jersey, of a branch at 11-17 Broad Street, Elizabeth, New Jersey, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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



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

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Item No. 2  
9/26/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1966

Board of Directors,  
Liberty Trust Company of Maryland,  
Cumberland, Maryland.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment in bank premises of \$55,000 by Liberty Trust Company of Maryland, Cumberland, Maryland, for the remodeling of the bank's main office.

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. 3

9/26/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1966



Board of Directors,  
Southside Bank,  
Tappahannock, Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment in bank premises by Southside Bank, Tappahannock, Virginia, of \$70,000 for the acquisition of a parcel of real estate on which to construct a new head office building.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

Item No. 4  
9/26/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1966

Board of Directors,  
Trust Company of Georgia,  
Atlanta, Georgia.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an additional investment in bank premises of \$18,500,000 by Trust Company of Georgia, Atlanta, Georgia, for the purpose of constructing a new head office building (\$17,000,000) and additional branches (\$1,500,000).

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

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

Item No. 5  
9/26/66

S-2005

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 4, 1966.



Dear Sir:

By letter of July 18, 1963, you were informed of the Board's position that the Reserve Banks should refrain from complying with a State's unclaimed or abandoned property statute.

In response to a recent inquiry from a Reserve Bank, the Board has affirmed this position and indicated that, in accordance therewith, the Reserve Bank should respond to communications from a State with respect to compliance with such laws by asserting that it is exempt therefrom.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman".

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6  
9/26/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1966



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

Dear Mr. Irons:

This is in response to your letter of August 31, 1966, in which you invite the Board's guidance in answering communications from the Texas State Treasurer with respect to compliance by your Bank with the State's unclaimed or abandoned property statute.

The Board shares your view that the Reserve Bank should respond to the communications by asserting that it is exempt from such statute.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 7  
9/26/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 26, 1966

AIR MAIL - REGISTERED  
RETURN RECEIPT REQUESTED

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

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

Dear Mr. LaBudde:

This acknowledges your letter of September 12, 1966, enclosing a petition on behalf of your client, Associated Bancorporation, Milwaukee, Wisconsin ("Applicant"), relating to the above-designated application. The petition refers to the Board's order of May 11, 1966, directing that the filing of the Hearing Examiner's report and recommended decision in this proceeding be stayed until further order of the Board, and requests that by appropriate Board order such stay be extended until February 15, 1967, or until further order of the Board entered prior to that date. The petition also requests that the contents of the petition and the report of examination of May 9, 1966, of Milwaukee Western Bank, prepared by the Federal Deposit Insurance Corporation, be considered as unpublished information of the Board and be accorded the treatment provided for such information in the Board's Rules of Organization and Procedure.

In your recent meeting with Board counsel, you were made aware of the Board's concern over the potential for unwarranted delay in the completion of the proceeding involving Applicant's proposed holding company formation, and you were advised that for this reason the Board was prepared to proceed with the further taking of evidence reflected in the May 9, 1966 report of examination of Milwaukee Western Bank. However, in view of the firm assurances of past and prospective corrective action within Milwaukee Western Bank contained in the petition filed on Applicant's behalf, the verity of which is

Roy C. LaBudde, Esq.

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attested to by Mr. James A. Hauer, President of Milwaukee Western Bank, the Board has agreed to continue in effect its May 11, 1966 stay order until February 15, 1967, or such earlier date as the Board may consider appropriate. Should circumstances arise that, in the Board's judgment, necessitate rescission of its action continuing in effect its stay order, such rescission and any related action will be preceded by appropriate advance notice to you and the Applicant.

As you were advised by the Board's letter of May 11, 1966, the Board's order of that date was entered as a part of the record in this proceeding, but was not published in the Federal Register. The Board believes that the circumstances necessitating that course of action still exist and warrant similar treatment of its action of this date. Accordingly, this letter constitutes official notice to you of the Board's action in response to your petition on Applicant's behalf, and distribution of copies of this letter will at this time be restricted to you and the Applicant, Hearing Examiner London, appropriate officials of the Federal Deposit Insurance Corporation and State of Wisconsin Banking Department, and officials and records of the Federal Reserve System. The Board reserves the right to make whatever additional disclosure of this and related documents it finds to be in the interest of its regulatory responsibilities and in the public interest, and, as to the reports of examination of Applicant's two proposed subsidiary banks, consistent with disclosure authorization given by the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.