

Minutes for September 30, 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.

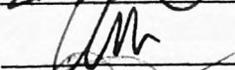
Chm. Martin



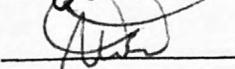
Gov. Robertson



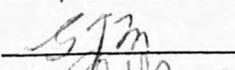
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Gov. Maisel



Gov. Brimmer



Minutes of the Board of Governors of the Federal Reserve System on Friday, September 30, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Young, Senior Adviser to the Board and  
Director, Division of International Finance  
Mr. Holland, Adviser to the Board  
Mr. Solomon, Adviser to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Furth, Consultant

Messrs. Brill, Koch, Partee, Axilrod, Bernard,  
Eckert, Ettin, Fry, Keir, Kelty, and  
Rosenblatt, and Mrs. Peskin of the Division  
of Research and Statistics

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

Money market review. Mr. Bernard commented on developments in the Government securities market, Mr. Ettin discussed bank credit data, Mr. Keir reviewed the capital markets, and Mr. Baker reviewed developments in foreign exchange markets. Copies of the several tables and charts that were distributed have been placed in the Board's files, along with copies of the staff presentations.

All staff members except Messrs. Sherman, Kenyon, Bakke, Holland, Cardon, Fauver, and Brill then withdrew from the meeting and the following entered the room:

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Mr. Hexter, Associate General Counsel, Messrs. O'Connell, Shay, and Hooff, Assistant General Counsel, and Mr. Via, Senior Attorney, Legal Division  
Mr. Leavitt, Assistant Director, and Messrs. Egertson and McClintock, Supervisory Review Examiners, Division of Examinations  
Mr. Daniels, Assistant Director, and Mr. Ring, Technical Assistant, Division of Bank Operations

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on September 26, and by the Federal Reserve Banks of New York and San Francisco on September 29, 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.

Report on competitive factors. There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Central National Bank of Mount Union, Mount Union, Pennsylvania, with the First-Grange National Bank of Huntingdon, Huntingdon, Pennsylvania, under the charter of the latter and with the new name of Penn Central National Bank.

Following adoption of a suggested change in emphasis of the conclusion, the report was approved unanimously for transmittal to the Comptroller in a form in which the conclusion read as follows:

Consummation of the merger of First-Grange National Bank of Huntingdon and The Central National Bank of Mount Union would eliminate some existing and potential competition between them and significantly enhance the position of the now largest bank in the area. The overall effect of the proposed merger is adverse.

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Application of Ohio Citizens Trust Company (Items 1-3). There had been distributed a memorandum from the Legal Division dated September 29, 1966, submitting drafts of an order and statement reflecting the Board's action on September 21, 1966, approving an application by The Ohio Citizens Trust Company, Toledo, Ohio, for permission to merge with The Whitehouse State Savings Bank, Whitehouse, Ohio. A dissenting statement by Governor Robertson also was submitted.

Following adoption of certain changes in the majority statement suggested by Governor Mitchell, issuance of the order and statement was authorized in the form attached to these minutes as Items 1 and 2, respectively. The dissenting statement of Governor Robertson is attached as Item No. 3.

Messrs. Shay, Via, and Egertson then withdrew from the meeting.

Interpretation of Regulation Q (Item No. 4). There had been distributed a memorandum from the Legal Division dated September 29, 1966, to which was attached a draft of letter suitable for transmittal to all Federal Reserve Banks answering two questions that had been raised concerning the Board's September 21 action amending the Supplement to Regulation Q (Payment of Interest on Deposits) to establish a maximum permissible interest rate of 5 per cent on time deposits of member banks under \$100,000: (1) notwithstanding that a customer may have aggregate time deposits with a member bank in excess of \$100,000 on September 26 (the effective date of the amendment), the bank may not pay in excess

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of 5 per cent on a certificate of deposit of less than \$100,000 issued to that customer on or after September 26; however, (2) if time deposits of a customer aggregate \$100,000 or more a member bank may issue a new certificate of deposit combining such deposits and paying interest up to 5-1/2 per cent, provided the maturity of the new contract equals or exceeds the most distant maturity of any one of the existing contracts.

The proposed interpretations were approved unanimously. A copy of the letter of advice to the Reserve Banks is attached as Item No. 4.

Emergency storage of Federal Reserve notes (Items 5 and 6). In a report dated May 28, 1965, the Presidents' Conference Subcommittee on Emergency Operations recommended that there be stored at the Chicago Reserve Bank currency for emergency needs in the areas served by the Buffalo, Cleveland, Cincinnati, New Orleans, Little Rock, Memphis, and Minneapolis offices, in addition to a supply to be held by Chicago for emergency needs in its own District. Approximately 62,000 packages of notes with a value of \$1.4 billion would be involved.

The proposed emergency currency stockpile at Chicago was part of a broad plan developed by the Subcommittee, under which one-half of the currency supply goals of Federal Reserve offices most vulnerable to destruction in case of enemy attack and one-fourth of the goals of offices moderately vulnerable to destruction would be stored elsewhere than on their own premises--either at cash agent banks or in one of three special vaults proposed to be constructed at the Chicago Reserve Bank, at a proposed new Denver Branch building, and at Culpeper, Virginia.

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On June 14, 1965, the Presidents' Conference approved the Subcommittee's recommendation, and on July 26, 1965, the Board authorized the Chicago Reserve Bank to proceed with plans for completion of an unfinished vault in the third basement level of its building for this purpose.

There had now been distributed a memorandum dated September 27, 1966, from the Division of Bank Operations advising that construction of the Chicago vault facilities had been completed, and recommending that the Board:

- (1) Approve the storage in the Chicago vault of notes of the New York, Cleveland, Atlanta, St. Louis, and Minneapolis Reserve Banks, as proposed by the Subcommittee on Emergency Operations
- (2) Authorize the Federal Reserve Banks of New York, Cleveland, Atlanta, St. Louis, and Minneapolis, and the Federal Reserve Agent at each of these Banks, to appoint, respectively, the Chicago Reserve Bank and the Federal Reserve Agent at Chicago to hold the notes of the five Banks in joint custody.
- (3) Approve, under provisions of the Loss Sharing Agreement between the Reserve Banks, shipments of Federal Reserve notes in amounts up to \$50 million each, to the extent that such shipments are needed to permit an orderly buildup in the emergency currency stockpile at Chicago.
- (4) Authorize obtaining an amendment to the contract with Brink's, Incorporated, to cover such special transfers of currency in amounts over \$15 million, the present contractual limit per shipment.

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Attached to the memorandum was a draft of letter to be sent to the President and to the Federal Reserve Agent of each Reserve Bank regarding the foregoing proposed actions, to which would be attached appropriate forms of powers of attorney to accomplish the joint custody arrangement recommended.

The recommendations of the Division were approved unanimously; a copy of the letter sent to the Reserve Banks and Federal Reserve Agents pursuant to this action is attached as Item No. 5, and a copy of the letter sent to Brink's is attached as Item No. 6.

Messrs. Daniels and Ring then withdrew from the meeting.

Action to implement Public Law 88-593. Under date of August 23, 1966, Chairman Patman of the House Banking and Currency Committee had written to the Board requesting a copy of each report that had been received pursuant to Public Law 88-593, which requires notification to the appropriate Federal banking agency upon change in control of an insured bank or where an insured bank makes a loan secured by 25 per cent or more of the outstanding voting stock of an insured bank.

At the meeting on September 29, 1966, there had been discussion of a draft of reply prepared by Mr. Cardon, and a decision thereon had been deferred pending an opportunity for members of the Board to review the type of information contained in the reports filed under Public Law 88-593.

There had now been distributed a memorandum from the Division of Examinations dated September 29 summarizing the requirements of the

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statute and the administrative procedures established thereunder. Attached to the memorandum were samples of reports submitted and also of supplementary memoranda of comment received from Reserve Banks. The memorandum concluded with the Division's recommendation that the requested reports not be furnished.

Governor Robertson commented that he did not see how, as a practical matter, the request could be refused. One possibility, he noted, would be to transmit the reports with a request that they be kept confidential because the public interest would not appear to be served by their publication.

Governor Mitchell inquired whether a conclusion might be reached that the type of information contained in the reports fell within one of the exclusionary provisions of the "Freedom of Information Act."

In the course of discussion concerning this possible approach, Mr. O'Connell suggested that it would appear prudent to refrain, pending further careful study, from taking a position on types of information that might or might not be excluded from disclosure under that Act.

Governor Shepardson stated his belief that the public interest would not be served by publication of the reports, following which a suggestion was made that Chairman Patman might be advised that while the Board had no objection to furnishing the information to his Committee, it was felt to be contrary to the public interest for the reports in question to be made public and assurance that they would not be

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published was desired. However, reservations were expressed about the practicability of such a course of action; for one thing it seemed unrealistic to expect the Committee to accept the information on such a basis.

Governor Robertson then commented that in view of the fact that the Comptroller of the Currency and the Federal Deposit Insurance Corporation had received similar requests from Chairman Patman, it would seem desirable for the Board to defer responding until the position of the other agencies could be ascertained. In the interim the staff could (1) investigate the matter further in light of the provisions of the Freedom of Information Act, and (2) develop alternative drafts of response to Chairman Patman's letter for the Board's consideration.

There being general agreement with Governor Robertson's suggestion, the decision on the reply to be made to Chairman Patman's request was deferred.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Chicago (copy attached as Item No. 7) approving the appointment of John A. Shinn as Alternate Assistant Federal Reserve Agent for use only in case of emergencies, with the understanding that he would not examine cash agent banks.

Letter to President Francis, Chairman of the Presidents' Conference Committee on Sundry Operations, advising that the Board had designated John R. Farrell to serve as associate of the Ad Hoc Subcommittee established to study the appropriate posture of the Federal Reserve Banks regarding regional development.

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Memorandum from the Division of Research and Statistics dated September 28, 1966, requesting that the Board authorize the following special arrangements with regard to Ann P. Ulrey, Economist in the Capital Markets Section: an additional leave of absence without pay for a period of seven months beginning October 3, 1966; authorization to requisition Mrs. Ulrey's services on current analyses in Washington, as needed; and continued work by Mrs. Ulrey on a part-time basis away from the Board's offices on a monograph on the U.S. capital markets for a period of up to the full-time equivalent of 13 weeks (less four weeks already worked).

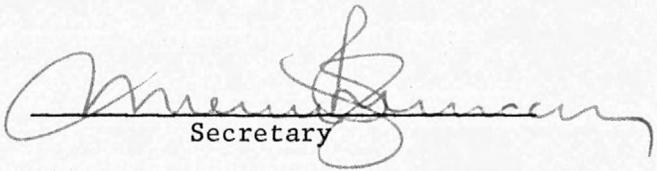
Memoranda recommending the following actions relating to the Board's staff:

Appointment

Marie Mackey as Statistical Clerk, Division of Research and Statistics, with basic annual salary at the rate of \$4,776, effective the date of entrance upon duty.

Salary increase

Charles P. Brown, Multilith Operator, Division of Administrative Services, from \$5,491 to \$5,782 per annum, effective October 9, 1966.

  
Secretary

UNITED STATES OF AMERICA

Item No. 1  
9/30/66

BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

WASHINGTON, D. C.

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 '
   
In the Matter of the Application of '
   
'
   
THE OHIO CITIZENS TRUST COMPANY '
   
'
   
for approval of merger with '
   
The Whitehouse State Savings Bank '
   
'
   
----- ↓

ORDER APPROVING APPLICATION FOR  
 MERGER OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act, as amended (12 U.S.C. 1828(c), Public Law 89-356), an application by The Ohio Citizens Trust Company, Toledo, Ohio, a State member bank of the Federal Reserve System, for the Board's prior approval of the merger of that bank and The Whitehouse State Savings Bank, Whitehouse, Ohio, under the charter and title of The Ohio Citizens Trust Company. As an incident to the merger, the main office and branch of The Whitehouse State Savings Bank would become branches of the resulting bank. Notice of the proposed merger, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the Comptroller of the Currency, the Federal Deposit Insurance Corporation,

and the Attorney General on the competitive factors involved in the proposed merger,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said merger shall not be consummated (a) before the thirtieth calendar day following the date of this Order, or (b) later than three months after said date.

Dated at Washington, D. C., this 4th day of October, 1966.

By order of the Board of Governors.

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

Voting against this action: Governor Robertson.

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

(SEAL)

BOARD OF GOVERNORS

Item No. 2

9/30/66

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION BY THE OHIO CITIZENS TRUST COMPANY  
FOR APPROVAL OF MERGER WITH  
THE WHITEHOUSE STATE SAVINGS BANKSTATEMENT

The Ohio Citizens Trust Company, Toledo, Ohio ("Ohio Citizens"), with total deposits of about \$141 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 the merger of that bank with The Whitehouse State Savings Bank, Whitehouse, Ohio ("Whitehouse Bank"), which has total deposits of about \$5 million.<sup>1/</sup> The banks would merge under the charter and name of Ohio Citizens, which is a member bank of the Federal Reserve System. As an incident to the merger the two offices of Whitehouse Bank would become branches of Ohio Citizens, increasing the number of its offices to 12.

Competition. - The head office of Ohio Citizens is in Toledo, a city with a 1960 population of 318 thousand. The bank operates six branches in Toledo and one branch each in Maumee and Oregon; an additional Toledo branch has been authorized. The head office of Whitehouse Bank is about 18 miles southwest of downtown Toledo in Whitehouse, a residential and farm community with an estimated population of 1,300. The bank operates one branch in Holland, about 12 miles northeast of Whitehouse. All offices of the two banks are in Lucas

<sup>1/</sup> Figures are as of April 1, 1966.

County. Under Ohio law a bank may establish and operate branches only in the county in which its head office is located.

There is some competition between Ohio Citizens and Whitehouse Bank, mainly because most of the employable residents of Whitehouse commute to work in Toledo. The nearest offices of the two banks, the Holland branch of Whitehouse Bank and the Dorr-Secor branch of Ohio Citizens in Toledo, are approximately six miles apart, and there are three other banking offices situated directly between these branches. The nearest branch of Ohio Citizens to the head office of Whitehouse Bank is in Maumee, approximately 10 miles to the northeast; there are two other banking offices in the intervening area.

The principal competition for Whitehouse Bank is now supplied by two offices each of the First National Bank of Toledo and Sylvania Savings Bank, the second and fifth largest banks, respectively, in Lucas County. The merger would replace a poor competitor in the Whitehouse-Holland area with a stronger, more resourceful one, and its effect outside the Whitehouse-Holland area would be minuscule.

It does not appear that any banking offices would be adversely affected by the merger.

The effect of the merger on competition would not be significantly adverse.

Financial and managerial resources and future prospects. -

The banking factors, as they relate to Ohio Citizens, are satisfactory and would not be adversely affected by the acquisition of Whitehouse Bank.

The net operating earnings of Whitehouse Bank have been below average and if it attempted to pay the prevailing area rate on savings accounts, its prospects might be less than satisfactory.

Convenience and needs of the communities. - The principal effect of the merger on banking needs and convenience would be in the Whitehouse-Holland area, a growing suburb of Toledo, which has an increasing demand for mortgage loans, and also potential for industrial development. Whitehouse Bank operates under a restrictive policy with respect to mortgage loans, does not aggressively pursue instalment loan business and, due to its small size, is unable to meet the credit needs of several businesses in its area. The conversion of the two offices of Whitehouse Bank into branches of Ohio Citizens would provide for the Whitehouse and Holland communities more convenient access to broader credit accommodations and to a generally wider range of banking services.

Summary and conclusion. - In the judgment of the Board, the proposed merger would benefit the banking convenience and needs of the Whitehouse and Holland communities, and would not result in any significantly adverse consequences for banking competition.

Accordingly, the Board concludes that the application should be approved.

October 4, 1966.

## DISSENTING STATEMENT OF GOVERNOR ROBERTSON

In my judgment, the record in this case leads inescapably to the conclusion that the merger of Ohio Citizens and Whitehouse Bank will have adverse consequences for banking competition. As the majority acknowledges, all offices of the two banks involved in this merger are in Lucas County and, under Ohio law, a bank may establish and operate branches only in the county where its head office is located. In addition to Lucas County, the Toledo Standard Metropolitan Statistical Area includes Monroe County, Michigan, to the north, and Wood County, Ohio, to the south. The locations of the offices of Ohio Citizens and Whitehouse Bank, the sources of the bulk of their business, and the branching possibilities, lead me to conclude that Lucas County constitutes a meaningful market area; but since Whitehouse Bank competes to some extent with four banking offices located in northern Wood County, I think it proper and fair to include that region in the definition of the relevant geographical market. This area includes the offices of 11 banks. My definition of the relevant market does not differ materially from the definitions employed in two of the three reports on competitive factors submitted by other Government agencies in this case (each of the two used 12 banks in its analysis; the third report used 16 banks). Moreover, the majority offers not a single reason why my determination of the relevant market is not sound.

Ohio Citizens, with about 19 per cent of the deposits and about 23 per cent of the loans, is the third largest bank in the area

which I believe reason requires us to treat as the relevant market; with the acquisition of Whitehouse Bank, Ohio Citizens will advance in rank to second in terms of total area loans. Ohio Citizens and the two largest banks together account for over 80 per cent of the total deposits, and for more than 75 per cent of the total loans, held by the 59 banking offices of the 11 banks that operate in the relevant area. Ohio Citizens alone holds more than three times the deposits and loans held by the fourth ranking bank. After the merger is consummated, Ohio Citizens alone will hold more loans than the combined offices of the seven banks ranking fourth through tenth in terms of deposits and loans; further, Ohio Citizens alone will hold very nearly as much in total deposits as the offices of those seven banks.

It is true that the merger will not increase the concentration of banking resources by a great amount, but it is equally true that the degree of concentration is already considerable. The Supreme Court has observed that "if concentration is already great, the importance of preventing even slight increases in concentration and so preserving the possibility of eventual deconcentration is correspondingly great."

United States v. Philadelphia Nat'l Bank, 373 U.S. 321, 365 n. 42.

Further, "the fact that a merger results in a less-than-30% market share [in the acquiring firm], or in a less substantial increase in concentration than in the . . . [Philadelphia] case [the merger would have increased the market share of the two largest banks from 44% to 59%], does not raise an inference that the merger is not violative of § 7 [of the Clayton Act]." Id. at 364-65 & n. 41.

In addition, I do not think the existing and potential competition between Ohio Citizens and Whitehouse Bank can be lightly regarded. Whitehouse Bank obtains about 3 per cent of its deposits and more than 7 per cent of its loans from the service area of Ohio Citizens. The deposits and loans derived by Ohio Citizens from the service area of Whitehouse Bank equal approximately 9 per cent and 25 per cent, respectively, of the latter's deposits and loans. Competition between these banks is facilitated by the fact that about 90 per cent of the employable residents of Whitehouse commute to work in Toledo. The location of Whitehouse Bank in the most suitable section in the Toledo area for the development of housing would facilitate the development of further competition, as would the fact that either bank could extend further into the market of the other through de novo branching. The majority ignores these considerations and offers no reasons why Whitehouse Bank is not capable of significant growth. In this connection, I must point out that the record is bare of facts which would justify the majority's characterization of this bank as a "poor competitor". The record shows, in fact, that from the end of 1956 to the end of 1965, the deposits and loans of Whitehouse Bank increased by 145 per cent and 155 per cent, respectively, while the average increase for all 11 banks in the relevant area was 35 per cent and 127 per cent, respectively. Further, the record shows that the net operating income of Whitehouse Bank grew in the 1958-1965 period at virtually the same rate as that of Ohio Citizens. The real and final impediment to the

development of further competition between Ohio Citizens and Whitehouse Bank is, of course, the decision of the majority in this case.

Regardless of whether a court would deem the merger as anti-competitive within the meaning of section 7 of the Clayton Act, I am of the view that the adverse competitive considerations outweigh the evidence that can be marshaled to show a probable benefit to the public under the convenience and needs factor. The finding of the majority is that the merger would provide for the Whitehouse and Holland communities more convenient access to broader credit accommodations and to a generally wider range of banking services. The majority makes no mention of the fact that the merger will eliminate from the Whitehouse and Holland communities an alternative source of banking services, a source that many residents of those communities clearly prefer. Furthermore, there is no demonstrable basis for the majority's assumption that the two offices of Ohio Citizens resulting from the merger will be more responsive to the needs of, and better able to serve, the people who live in the Whitehouse-Holland area. The exact opposite may be the case. For example, Whitehouse Bank maintains longer banking hours than any other bank in Lucas County, and especially tailors its loans to farmers to mature at the time they market their crops and livestock.

I find no basis for concluding that the existing banking needs of the area served by Whitehouse Bank are not being met satisfactorily and without undue inconvenience, or that the area's future banking needs will not be adequately served. A contrary conclusion

is compelled by the proximity to the area of offices of Ohio Citizens and of other large banks, by the employment and commuting patterns, and by the fact that Ohio Citizens and other large banks can establish de novo branches in the area. Unlike the majority, I am not persuaded that the prospects for Whitehouse Bank might be less than satisfactory if it attempted to pay the prevailing area rate on savings accounts. Even if substantially more than conjecture formed the basis for so characterizing the future of Whitehouse Bank, there are two reasons why it should be accorded no weight. First, Whitehouse Bank is competing successfully with the offices of much larger banks, and it is doing so in the face of ample opportunity for its customers to place their savings with financial institutions that pay higher rates. Second, if Whitehouse Bank should, for any reason, sometime actually be faced with adverse prospects, there is every indication that feasible alternatives will exist that are preferable, under the policy of the law we are charged to administer, to merger with its third largest competitor.

I would deny the application.

October 4, 1966.

Item No. 4  
9/30/66

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

S-2004

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 30, 1966.

Dear Sir:

Quoted below is the substance of a Board letter of this date replying to questions as to the maximum interest that may be paid on deposits aggregating \$100,000:

"A member bank may not pay interest in excess of 5 per cent on any certificate of deposit of less than \$100,000 issued after September 26th (except in automatic renewal of certificate issued prior to July 20th), regardless of the fact that the depositor may hold time deposits of the bank aggregating more than \$100,000. It was concluded that this is necessary for administrative control purposes. For example, if fragmentation of the deposit were permitted, such individual certificates might pass into other hands and result in acquisition by third parties of certificates of less than \$100,000 issued after September 26th paying interest in excess of that permitted by regulation.

However, if outstanding deposits of one party equal in the aggregate \$100,000 or more, a member bank may issue a new contract combining such deposits and paying interest up to 5-1/2 per cent provided the single maturity of new contract equals or exceeds the most distant maturity of any one of the existing contracts. This is in accordance with the principal stated in the Board's 1951 interpretation (FRLS #6330.5; 1951 Bulletin)."

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. 5  
9/30/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 30, 1966.

Dear Sir:

The Subcommittee on Emergency Operations recommended in its report of May 28, 1965, which the Conference of Presidents approved on June 14, 1965, that Federal Reserve notes of the New York, Cleveland, Atlanta, Chicago, St. Louis, and Minneapolis Reserve Banks be stored in a separate vault (midwestern facility) at the Federal Reserve Bank of Chicago for emergency use.

The special vault in the Chicago Reserve Bank has been completed, and the Board would like to achieve the storage of this emergency supply of currency substantially as recommended in Appendix VII of the Subcommittee's report. A table showing the proposed storage is attached.

For the purpose of the program, the Board authorizes the Federal Reserve Banks of New York, Cleveland, Atlanta, St. Louis, and Minneapolis, and the Federal Reserve Agent at each of these Banks, to appoint, respectively, the Chicago Reserve Bank and the Federal Reserve Agent at that Bank to hold the notes of the five Banks in joint custody.

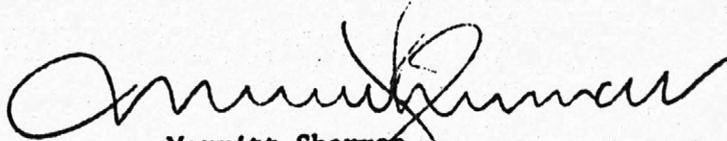
To facilitate establishment of such agency relationships, there are attached suggested forms of powers of attorney. The originals of the powers of attorney should be mailed to the Chicago Reserve Bank and to the Federal Reserve Agent at the Bank as appropriate. It would be helpful if a copy of each is also forwarded to the Board.

The Board has approved shipments of the currency to the Chicago Reserve Bank under Section 7 of the Loss Sharing Agreement in

amounts up to \$50 million each and has authorized an amendment to the contract with Brink's, Incorporated, to cover such special shipments.

The Board's Division of Bank Operations will communicate with the Assistant Federal Reserve Agents about submitting requisitions for the shipment of the notes.

Very truly yours,

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

Merritt Sherman,  
Secretary.

Enclosures

(THIS LETTER ADDRESSED TO THE FEDERAL RESERVE AGENTS  
AND THE PRESIDENT OF EACH FEDERAL RESERVE BANK)

Proposed Storage of Federal Reserve Notes at Midwestern Facility (Chicago)

	<u>\$1's</u>	<u>\$5's</u>	<u>\$10's</u>	<u>\$20's</u> (number of packages)	<u>\$50's</u>	<u>\$100's</u>	<u>Total</u>
Storage for offices as shown in Appendix VII of report of Subcommittee on Emergency Operations, 5-28-65:							
Buffalo	1,029	539	455	365	27	16	2,431
Cleveland <u>1/</u>	2,559	1,501	1,726	1,308	94	56	7,244
Cincinnati <u>1/</u>	1,292	764	679	175	34	26	2,970
New Orleans	2,896	1,219	1,188	480	4	28	5,815
Little Rock	966	370	169	189	--	13	1,707
Memphis	2,166	1,224	797	511	10	26	4,734
Minneapolis	1,302	666	243	214	16	22	2,463
Chicago	15,000	7,000	6,000	--	--	--	28,000
Detroit	3,080	1,470	1,150	1,300	--	--	7,000
Total by district adjusted to even multiples of 8 packages for shipping purposes:							
New York	1,032	544	456	368	32	16	2,448
Cleveland	3,856	2,272	2,408	1,488	128	88	10,240
Atlanta	2,896	1,224	1,192	480	8	32	5,832
St. Louis	3,136	1,600	968	704	16	40	6,464
Minneapolis	1,304	672	248	216	16	24	2,480
Chicago	18,080	8,472	7,152	1,304	--	--	35,008
Total packages	30,304	14,784	12,424	4,560	200	200	62,472
Total value (in thousands)	\$121,216	\$295,680	\$496,960	\$364,800	\$40,000	\$80,000	\$1,398,656

1/ Excludes amounts stored at cash agent banks.

POWER OF ATTORNEY

The Federal Reserve Bank of \_\_\_\_\_ ("\_\_\_\_\_ Bank") hereby appoints and constitutes the Federal Reserve Bank of Chicago ("Chicago Bank") the agent and attorney for the \_\_\_\_\_ Bank, to hold Federal Reserve notes of the \_\_\_\_\_ Bank in joint custody with the Federal Reserve Agent accredited to the Federal Reserve Bank of Chicago ("Chicago Agent") acting under power of attorney issued to him by the Federal Reserve Agent accredited to the Federal Reserve Bank of \_\_\_\_\_ ("\_\_\_\_\_ Agent"). Said joint custody shall be in accordance with section 16 of the Federal Reserve Act (12 U.S.C. 417) and rules and regulations prescribed by the Board of Governors of the Federal Reserve System and shall apply to all Federal Reserve notes in the custody of the Chicago Agent as agent for the \_\_\_\_\_ Agent. The Chicago Bank shall surrender, deliver, or take other action with respect to, its joint custody of such notes as the \_\_\_\_\_ Bank from time to time shall direct.

This power of attorney is subject to revocation in writing at any time, without prior notice.

FEDERAL RESERVE BANK OF \_\_\_\_\_

by \_\_\_\_\_

\_\_\_\_\_  
(Date)

\_\_\_\_\_  
(Title)

POWER OF ATTORNEY

I, the undersigned, as Federal Reserve Agent accredited to the Federal Reserve Bank of \_\_\_\_\_ ("\_\_\_\_\_ Agent"), hereby appoint and constitute the person serving from time to time as Federal Reserve Agent accredited to the Federal Reserve Bank of Chicago ("Chicago Agent") my agent and attorney, to receive and to hold in his custody, for me and on my behalf, Federal Reserve notes of the Federal Reserve Bank of \_\_\_\_\_ in such numbers, denominations, and aggregate amounts as I may from time to time direct. In accordance with section 16 of the Federal Reserve Act (12 U.S.C. 417), such notes shall be held for me, under rules and regulations prescribed by the Board of Governors of the Federal Reserve System, in the joint custody of the Chicago Agent and the Federal Reserve Bank of Chicago, acting as agent for the Federal Reserve Bank of \_\_\_\_\_ under power of attorney issued to it by the Federal Reserve Bank of \_\_\_\_\_. The Chicago Agent is authorized and directed to deposit and hold joint custody of such notes in the vaults of the Federal Reserve Bank of Chicago. The Chicago Agent shall surrender, deliver or take other action with respect to his joint custody of such notes, as I may from time to time direct.

This power of attorney is subject to revocation in writing at any time, without prior notice.

IN WITNESS WHEREOF, I hereby set my hand to this instrument, this \_\_\_\_\_ day of \_\_\_\_\_, 1966.

\_\_\_\_\_  
Federal Reserve Agent at \_\_\_\_\_

3701

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6  
9/30/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 30, 1966.

Mr. J. R. Leidgen, Vice President,  
Brink's, Incorporated,  
234 East 24th Street,  
Chicago, Illinois. 60616

Dear Mr. Leidgen:

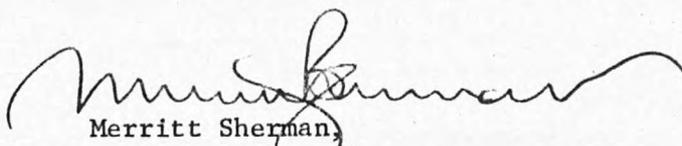
This refers to the contract of November 2, 1964, between Brink's, Incorporated, and the Board of Governors of the Federal Reserve System for the transportation of new Federal Reserve notes.

The Board would like to amend paragraphs 6 and 7 of the contract to provide for occasional special shipments in amounts up to \$50 million each. Such shipments would be made to the extent necessary to permit an orderly buildup in supplies of currency stored for use in a national emergency at designated Federal Reserve Bank offices.

The need for the proposed amendments at this time relates to a plan to ship currency to the Federal Reserve Bank of Chicago to be stored for emergency use rather than for current use. While various denominations of notes will be shipped, it is expected that only the \$1, \$5, and some \$10 denomination notes will be transported in large-load shipments exceeding \$15 million in value. The higher denominations will be sent in shipments not exceeding \$15 million following the established procedures. Not all of the currency is available for shipping at this time and some may not be available for at least several months.

It is understood that the timing of the special shipments and the desired minimum load weight will be matters that will be determined by Brink's, Incorporated.

Very truly yours,

  
Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7  
9/30/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

September 30, 1966

Mr. Franklin J. Lunding,  
Chairman of the Board  
and Federal Reserve Agent,  
Federal Reserve Bank of Chicago,  
Chicago, Illinois. 60690

Dear Mr. Lunding:

As requested in your letter of September 22, 1966, the Board of Governors approves the appointment of Mr. John A. Shinn as an Alternate Assistant Federal Reserve Agent for use only in case of emergencies and with the understanding that he will not examine banks which are designated cash agent banks under the Wartime Emergency Operations Procedure. This approval is given with the understanding that Mr. Shinn will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent, Mr. Shinn may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

It will be appreciated if Mr. Shinn is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Shinn execute the usual Oath of Office which should be forwarded to the Board of Governors together with the advice of the effective date of his appointment. It is understood that the proposed appointment of Mrs. Elisabeth B. Peterson as Alternate Assistant Federal Reserve Agent has been withdrawn.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.