

Minutes for October 5, 1966

To: Members of the Board

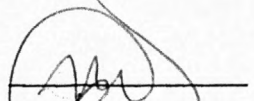
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

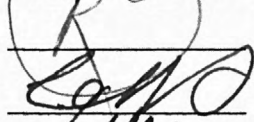
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



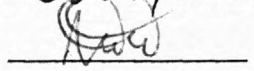
Gov. Robertson



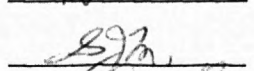
Gov. Shepardson



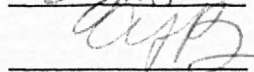
Gov. Mitchell



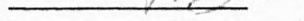
Gov. Daane



Gov. Maisel



Gov. Brimmer



Minutes of the Board of Governors of the Federal Reserve  
System on Wednesday, October 5, 1966. The Board met in the Board Room  
at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Farrell, Director, Division of Bank  
Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Johnson, Director, Division of Personnel  
Administration  
Mr. Hexter, Associate General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Smith, Associate Adviser, Division of  
Research and Statistics  
Mr. Daniels, Assistant Director, Division of  
Bank Operations  
Messrs. Leavitt and Thompson, Assistant Directors,  
Division of Examinations  
Mr. Hart, Assistant Director, Division of Personnel  
Administration  
Mrs. Semia, Technical Assistant, Office of the  
Secretary  
Messrs. Robinson, Shuter, and Smith, Attorneys,  
Legal Division  
Mr. Golden, Senior Economist, Division of Research  
and Statistics  
Messrs. Egertson and Maguire, Supervisory Review  
Examiners, Division of Examinations  
Messrs. Burton, Donovan, Lyon, and Rumbarger,  
Review Examiners, Division of Examinations  
Miss Greene and Mr. Kline, Assistant Review  
Examiners, Division of Examinations

10/5/66

-2-

Approved items. The following items were approved unanimously after consideration of background information that had been made available to the Board. Copies are attached under the respective numbers indicated.

	<u>Item No.</u>
Letter to United California Bank, Los Angeles, California, approving the establishment of a branch in the planned community of Mission Viejo, Orange County.	1
Letter to Northern Central Bank and Trust Company, Williamsport, Pennsylvania, approving an investment in bank premises.	2
Telegram to the Federal Reserve Bank of San Francisco approving the Bank's proceeding with improvements in its emergency electrical system.	3
Letter to the Federal Reserve Bank of Atlanta approving adjustments in the employee salary structures applicable to the head office and branches.	4

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Peoples Bank & Trust Company of Chase City, Chase City, Virginia, into The Fidelity National Bank, Lynchburg, Virginia, was approved unani- mously for transmittal to the Comptroller. In the form approved, the conclusion of the report read as follows:

There appears to be little, if any, competition existing between The Peoples Bank & Trust Company of Chase City and The Fidelity National Bank, Lynchburg; however, there is potential for competition between them in the event a pending merger of Citizens Bank and Trust Company of Clarksville with The Fidelity National Bank is consummated.

10/5/66

-3-

In addition to this proposed merger and the pending merger with the bank in Clarksville, The Fidelity National Bank during 1966 has acquired two banks with aggregate deposits of about \$15 million, both located within 30 miles of Chase City.

The overall effect of the proposed transaction on competition appears slightly adverse.

Application of General Bancshares Corporation. There had been distributed a memorandum dated September 15, 1966, from the Division of Examinations, with other pertinent papers, regarding the application of General Bancshares Corporation, St. Louis, Missouri, to acquire 80 per cent or more of the outstanding voting shares of First National Bank in St. Louis, St. Louis, Missouri. (Under the plan General Bancshares would recapitalize and change its name to First Union Bancorporation. It was understood that, subject to approval of the present proposal, applicant would seek to acquire, under section 4(c)(8) of the Bank Holding Company Act, the St. Louis Union Trust Company, the owner of 28.5 per cent of the outstanding voting shares of First National Bank.)

The Examinations Division and the Banking Markets Section of the Division of Research and Statistics recommended denial; the Legal Division believed denial could be more easily supported. As to the Federal Reserve Bank of St. Louis, its Bank Examination Department favored approval and its Counsel recommended denial. The Comptroller of the Currency recommended approval. The Department of Justice, in a statement filed with the Board regarding the application, made no recommendations

10/5/66

but indicated that it did not believe the alleged advantages to the community would be sufficient to outweigh the substantial adverse competitive effects.

After summary comments by Mr. Lyon, Messrs. Solomon and O'Connell raised a procedural question in regard to the statement by the Department of Justice, which had not been furnished to the applicant. Certain other holding company cases in which the Department had furnished a statement had been the subject of hearings, with the statement made a part of the record and the applicant afforded an opportunity for rebuttal. It was suggested that, if the Board should decide to deny the present application, a copy of the Department's statement be furnished to the applicant, with a specific time allowed for responding comments, in order to forestall any claim that the Board's decision had been based in part on a statement to which the applicant had not been allowed to reply. The Board's decision on the application could be made today, the staff suggested, contingent upon the applicant's supplying no significant additional information.

In the ensuing discussion Governor Maisel suggested that the applicant be furnished a copy of the Department's statement and the members of the Board be furnished copies of any response made by the applicant, with the understanding that any member of the Board could request that the case again be considered de novo if he believed the information submitted so warranted.

There was general agreement with Governor Maisel's suggestion.

(Note: A copy of the statement by the Department of Justice was sent



10/5/66

-5-

later in the day to the Federal Reserve Bank of St. Louis to be furnished to the applicant with a request that any comments be submitted by October 14, 1966.)

Question was raised also as to whether as a matter of regular practice statements by the Department of Justice in regard to bank holding company applications should be furnished to applicants. However, it was agreed, at the suggestion of Mr. O'Connell, that consideration would be given to that question at another time after further staff study.

In response to the Chairman's request for the views of the members of the Board on the instant application, Governor Shepardson stated that, while he could see the advantage of the proposal to the banks now in the General Bancshares system, the number of banks in St. Louis proper already had been significantly reduced. There were marked similarities, he noted, between the present proposal and the merger between Mercantile Trust Company, N.A., and Security Trust Company, both of St. Louis, which the Board in its competitive factor report had cited as "significantly adverse" to competition, and against which an antitrust suit was now pending. Although there might be some problem in regard to the competitive position of the large banks in St. Louis, he thought the market analysis of the staff was persuasive.

The other members of the Board also having expressed themselves as favoring disapproval, the application was denied by unanimous vote, this action being subject to the understanding mentioned earlier. It was

10/5/66

-6-

understood that an order and statement reflecting the decision would be prepared for the Board's consideration.

Messrs. Smith (Research), Thompson, Smith (Legal), Golden, Burton, Donovan, Egertson, Kline, Lyon, Maguire, and Rumbarger, and Miss Greene then withdrew from the meeting.

Currency and coin services (Items 5 and 6). There had been distributed a memorandum dated October 3, 1966, from the Legal Division regarding a proposed revision of Treasury Circular No. 55, relating to distribution of coin and currency. The House Committee on Government Operations had recommended earlier this year that the Treasury clarify the responsibility of the Federal Reserve System to distribute coin directly, on uniform bases, to both member and nonmember banks. Pursuant to that recommendation the Treasury Department requested the Board's views on a proposed revision of Circular No. 55. The Conference of Presidents of the Federal Reserve Banks, to which the Treasury's revision was referred, approved a version incorporating certain suggested changes therein and asked that this revision be recommended to the Treasury. Attached to the memorandum was a draft of reply to the Treasury Department that would transmit the Presidents' Conference revision, with comments on the reasons for the changes suggested by the Presidents.

Although the Division of Bank Operations was satisfied with the proposed reply, the Legal Division thought it appropriate to bring two points to the Board's attention. In essence, both points related to the

10/5/66

-7-

desirability of a clear understanding that the scope of Treasury regulations governing distribution of currency and coin did not extend to shipments or deliveries, the terms and conditions of which were considered to be within the jurisdiction of the Federal Reserve. Therefore, the term "distribution" should be understood to contemplate only "allocation" or "division," and the language of the circular should not carry an implication of acknowledgment by the Federal Reserve of the right of the Treasury to delegate to the Reserve Banks authority which the Federal Reserve considered it already had. The memorandum suggested two paragraphs that might be added to the draft letter to the Treasury Department.

There had also been distributed a draft of letter to the Federal Reserve Bank Presidents that would state that the Board concurred in the approval by the Conference of Presidents of certain recommendations with respect to currency and coin services, with the suggestion, however, the Banks might want to defer revising their operating circulars until Circular No. 55 had been issued in revised form.

Discussion at today's meeting centered around the question whether the Federal Reserve's understanding of its authority should be specified in the letter to the Treasury or whether the point could safely be left unstated. There having developed a consensus in favor of including in the letter the two paragraphs suggested by the Legal Division, the letter was approved unanimously in the form attached as Item No. 5. Unanimous approval was also given to the letter to the Federal Reserve Bank Presidents, a copy of which is attached as Item No. 6.



10/5/66

-8-

Request by Department of Justice (Items 7 and 8). There had been distributed a memorandum dated October 3, 1966, from the Legal Division regarding a request by the Department of Justice for permission to examine the memorandum, and relevant supporting papers, from the Federal Reserve Bank of Philadelphia to the Board with respect to the competitive factors involved in the proposed merger of Provident National Bank and Central-Penn National Bank of Philadelphia. (The merger was approved by the Comptroller of the Currency in March 1966.) The Department also requested an opportunity to interview an employee of the Reserve Bank (Mrs. Deutermann) who was understood to have worked on the preparation of the memorandum. The information was wanted for use by the Department in preparation for trial in its suit under the antitrust laws to prevent consummation of the merger. The Reserve Bank's memorandum had been favorable to the proposed merger, so far as the competitive aspects were concerned, whereas the Board's competitive factor report to the Comptroller of the Currency was adverse.

It appeared that the Department's request had arisen because a former employee of the Reserve Bank who had also participated in the preparation of the Bank's memorandum to the Board was expected to testify for the banks in the antitrust litigation. If its requests were granted, the Department of Justice felt that it would be in a better position to cross examine the former employee, but the Department did not rule out the use of the information it now sought as evidence or the calling of

10/5/66

-9-

Mrs. Deutermann as a witness on behalf of the Government. The Legal Division's memorandum set forth reasoning in support of a recommendation that the requests of the Department of Justice be granted. Draft letters to the Department and to the Philadelphia Reserve Bank in terms of that recommendation were attached.

After Mr. Shuter had commented in explanation of the favorable recommendation, Mr. O'Connell indicated that study given to the matter after the memorandum was distributed led him to recommend that the Board's response to the Department of Justice be in more limited terms than the memorandum contemplated. It was Mr. O'Connell's suggestion, for reasons that he outlined, that the Board allow the Department to interview Mrs. Deutermann in the presence of responsible officials of the Reserve Bank, but that the Department not be allowed access to the Reserve Bank memorandum or related working papers.

The ensuing discussion dealt with various aspects of the reasoning in support of the diverse staff recommendations. While the principle of cooperation with another Government agency was recognized as pointing toward compliance with the requests of the Department of Justice, it was noted that a precedent would be set for disclosure, and possible use in evidence, of unpublished working papers on matters that might become involved in litigation. There would also be an implication that the Board's statement on the subject, as reflected in its competitive factor report, did not stand on its own feet.

10/5/66

-10-

Question was asked whether there were grounds for protesting testimony by the former Reserve Bank employee who would be testifying on behalf of the defendants. Response was made that such a protest would not seem in order; however, it was suggested that the Reserve Bank's counsel attend the trial and protest the introduction into evidence of any unpublished Reserve Bank materials if an attempt to do so should be made. In the absence of such an attempt, it would appear that the Department of Justice could obtain through interviewing Mrs. Deutermann, but without access to working papers, information comparable to information the defendants in the litigation might be able to obtain from the former Bank employee.

At the conclusion of the discussion there was unanimous agreement that the response to the Department of Justice should be limited in the manner Mr. O'Connell had suggested. Pursuant to this agreement letters were sent to the Department of Justice and to the Philadelphia Reserve Bank in the form attached as Items 7 and 8.

Messrs. Holland, Adviser to the Board, Koch, Deputy Director, Division of Research and Statistics, and Hersey, Adviser, Division of International Finance, joined the meeting at this point and Messrs. Robinson and Shuter withdrew.

Terms of Chairman and Vice Chairman (Item No. 9). There had been distributed a memorandum dated October 4, 1966, from Mr. Cardon regarding the possibility of consideration by the Congress of some

10/5/66

-11-

version of a bill making the terms of the Chairman and Vice Chairman of the Board coincide with that of the President. Chairman Multer of the Subcommittee of the House Banking and Currency Committee that would study various proposals for rearranging the terms had requested a report from the Board.

The memorandum described the provisions of several proposals in this area, including one made by President Kennedy in 1962 that would have retained 14-year terms for all seven Board members but would have extended the expiration date of the terms of incumbents by one year, so that they would expire on January 31 of odd-numbered years rather than even-numbered years as at present. Since a newly-elected President takes office in an odd-numbered year, this arrangement would permit him to designate a new appointee as Chairman rather than one of the incumbent members.

Attached to the memorandum was a draft of letter to Chairman Multer that would recommend an alternative similar to the Kennedy proposal, except that it would extend all members' terms to June 30 of odd-numbered years (rather than January 31) so as to provide some lag between the inauguration of a new President and his appointment of a Chairman and Vice Chairman; designations as Chairman and Vice Chairman would be for terms of four years expiring on June 30 of the year in which the term of office of the President expired.

Discussion centered principally on the relative merits of a January 31 termination date for terms of Board members, and for

10/5/66

-12-

designations as Chairman and Vice Chairman, or of substituting a June 30 termination date. A reason cited in favor of the June 30 date was that the incoming President would have a longer period in which to make his choices for Chairman and Vice Chairman of the Board, which might be useful in relieving, to that extent, the pressures attendant on the need to make Cabinet and other appointments immediately upon a new President's inauguration. An argument cited against the June 30 termination date was that the period from January to June could be one of uncertainty as to whether the incumbent Board Chairman would or would not be redesignated, with possible consequent uneasiness regarding the course of Federal Reserve policies.

Chairman Martin commented that either alternative would be satisfactory to him, although he could see some possible advantage in providing a lag to June 30, including perhaps a better prospect for obtaining general support for such a provision.

At the conclusion of the discussion other members of the Board indicated that they would be willing to concur with the Chairman's judgment. Accordingly, after agreement upon certain editorial changes, the letter to Chairman Multer was approved unanimously in the form attached as Item No. 9.

Meeting dates for Open Market Committee. There had been distributed a memorandum from Mr. Broida dated October 4, 1966, suggesting possible dates for meetings of the Federal Open Market Committee in 1967.



10/5/66

-13-

The schedule called for 14 meetings, spaced at either three or four-week intervals. The memorandum noted that since Veterans' Day, November 11, fell on a Saturday, Federal employees would be given a holiday on Friday, November 10; and it had been the general practice to avoid Committee meetings in weeks in which Monday or the preceding Friday was a holiday. It was suggested that in the circumstances the Federal Advisory Council might be asked if it would be agreeable to shifting its meeting in November from the 21st to the 14th.

Discussion developed a consensus in favor of that suggestion. There was general concurrence with the remainder of the proposed schedule, which it was understood would be distributed for comment prior to the next meeting of the Federal Open Market Committee.

Governor Maisel referred to earlier informal discussions of the possibility of occasional two-day meetings of the Open Market Committee, and the view was expressed that such meetings might be considered on an ad hoc basis depending on whether the circumstances suggested a need. Comments were made also regarding the possibility of developing procedures that would involve greater use of pre-distributed written material, with consequent reduction of oral reporting at Committee meetings.

Foreign travel. Unanimous approval was given to recommendations in a distributed memorandum dated October 3, 1966, from Mr. Young, Senior Adviser to the Board and Director, Division of International Finance, that Messrs. Hersey, Adviser, and Stem, Economist, in the Division of

10/5/66

-14-

International Finance be authorized to attend a meeting of central bank economists at the Bank for International Settlements in Basle, Switzerland, early in November; that Mr. Hersey also be authorized to visit the central banks in Frankfurt, Paris, and London during the ten days following the meeting; that Mr. Stem be authorized to spend approximately three days in London and two days in Zurich following the meeting; and that Messrs. Hersey and Stem be allowed per diem in lieu of subsistence as provided in the Standardized Government Travel Regulations.

Several members of the staff who had been present withdrew at this point, and Messrs. Kelleher, Director, Division of Administrative Services, and Kakalec, Controller, entered.

Annex building. The Board had had previous consultations, most recently on September 15, 1966, with representatives of the architectural firm of Harbeson Hough Livingston & Larson regarding the design of a proposed annex building to be constructed on the Board's property north of C Street. Pursuant to suggestions made at the September 15 meeting, principally with a view to relieving what it was felt might be a somewhat monotonous exterior appearance, the architects had prepared additional sketches and small models illustrating alternative treatments.

Mr. Larson of the architectural firm joined the meeting at this point and commented on the rationale underlying the revised treatments that had been considered, after which the meeting continued in the Board's Conference Room where new materials were on display. As a result of the

10/5/66

-15-

discussion the architects were requested to prepare further sketches and models reflecting certain refinements that were suggested.


The meeting then adjourned.

Secretary's Notes: On October 4, 1966,  
Governor Shepardson approved on behalf  
of the Board the following items:

Letter to the Federal Reserve Bank of San Francisco (copy attached as Item No. 10) approving the appointment of Verlyn R. Johnson as assistant examiner.

Memorandum from Mr. Cardon, Legislative Counsel, recommending that Carol M. O'Brien, Secretary in the Office of the Secretary, be transferred to the position of Secretary in the Board Members' Offices, with no change in basic annual salary at the rate of \$6,461, effective December 1, 1966.

Governor Shepardson today approved  
on behalf of the Board a request  
from Nathan L. Hunter, Messenger,  
Division of Administrative Services,  
for permission to work as a parking  
attendant on a part-time basis.

  
Secretary

3739

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

Item No. 1  
10/5/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 5, 1966,

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by United California Bank, Los Angeles, California, of a branch in the vicinity of La Paz Road near the Santa Ana Freeway in the planned community of Mission Viejo, Orange County, California, 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

3740

Item No. 2  
10/5/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 5, 1966

Board of Directors,  
Northern Central Bank and Trust Company,  
Williamsport, Pennsylvania.

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 of \$35,000 in bank premises by Northern Central Bank and Trust Company, Williamsport, Pennsylvania, for the purchase of property adjoining the bank's Newberry office.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



3741

**T E L E G R A M**  
LEASED WIRE SERVICE

Item No. 3  
10/5/66

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON**

October 5, 1966

Swan - San Francisco

Reurlet September 1, Board approves your Bank's proceeding with emergency electrical project for San Francisco Bank building as described in your letter, and authorizes expenditures of about \$272,200 for the project, including a 10 per cent allowance for contingencies as recommended by Mr. Witherell, the Board's Consulting Architect.

(Signed) Merritt Sherman

SHERMAN

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

Item No. 4  
10/5/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 5, 1966

CONFIDENTIAL (FR)

Mr. Monroe Kimbrel,  
First Vice President,  
Federal Reserve Bank of Atlanta,  
Atlanta, Georgia. 30303

Dear Mr. Kimbrel:

As requested in your letter of June 15, 1966, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structures at the Federal Reserve Bank of Atlanta and branches, retroactive to July 1.

Grade	Atlanta- Birmingham		Jacksonville- New Orleans		Nashville	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1	\$ 2,800	\$ 3,800	\$ 2,800	\$ 3,800	\$ 2,600	\$ 3,400
2	2,900	4,000	2,900	4,000	2,600	3,500
3	3,100	4,200	3,100	4,200	2,700	3,600
4	3,300	4,500	3,300	4,500	3,000	4,100
5	3,700	4,900	3,500	4,700	3,400	4,600
6	4,200	5,700	3,900	5,300	3,800	5,100
7	4,700	6,300	4,400	6,000	4,200	5,600
8	5,400	7,200	4,900	6,700	4,600	6,200
9	6,000	8,000	5,400	7,200	5,000	6,800
10	6,600	8,900	6,000	8,000	5,400	7,400
11	7,200	9,700	6,300	8,500	6,000	8,000
12	7,800	10,600	6,900	9,300	6,400	8,600
13	8,700	11,800	7,700	10,500	7,000	9,500
14	9,600	13,100	8,600	11,600	7,700	10,400
15	10,700	14,500	9,500	12,900	8,400	11,300
16	11,900	16,100	10,600	14,400	9,200	12,400

Salaries should be paid to employees within the limits specified for the grades in which their respective positions are classified. All employees whose salaries are below the minimum of their grades as a result of these structure increases should be brought within appropriate ranges by January 1, 1967.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.



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

Item No. 5  
10/5/66

OFFICE OF THE CHAIRMAN

October 6, 1966.

The Honorable Henry H. Fowler,  
Secretary of the Treasury,  
Treasury Department,  
Washington, D. C. 20220

Dear Joe:

This is in response to Mr. Wallace's letter of August 11, 1966, requesting the views of the Board on the Treasury Department's proposal to substitute four new sentences for the present last two sentences of Treasury Circular No. 55 (31 CFR § 100.2).

The proposed substitute was submitted to the Presidents of the Federal Reserve Banks for suggestions and comments, and a revised version recommended by the Presidents and concurred in by the Board reads as follows:

"The Federal Reserve Banks and branches are authorized and directed to make an equitable and impartial distribution of available supplies of currency and coin in all cases directly to member banks of the Federal Reserve System and to nonmember commercial banks. Applications therefor should be made to the Federal Reserve Bank or branch of such Bank which serves the territory in which the applicant bank is located. Deliveries to and from member banks and to and from nonmember commercial banks shall be made under such terms and conditions as may be prescribed by the Federal Reserve Banks. Nothing in the authorization set forth above shall be regarded as requiring Federal Reserve Banks and branches to supply currency and coin to other financial institutions or to the general public."

At the end of the first sentence of the proposal contained in the Wallace letter the word "alike" was deleted to avoid a possible conflict with the authority of the Reserve Banks (see third sentence) to prescribe the terms and conditions of currency and coin shipments.

The third sentence of the Treasury's proposal provided only for shipments to member banks and nonmember commercial banks. The Presidents of the Reserve Banks are of the view that Reserve Banks should accept shipments from nonmember commercial banks as well as

The Honorable Henry H. Fowler     -2-

orders for shipments to such banks. Accordingly, the third sentence of the revised version has been broadened to cover incoming as well as outgoing shipments of currency and coin.

To avoid problems of interpretation as to what constitutes a "non-banking financial institution", the last sentence of the revised version substitutes the words "other financial institutions" for "non-banking financial institutions".

In the form proposed above, the Circular would continue to refer to "distribution" of currency and coin. The same paragraph of the Circular will also refer hereafter to shipments of currency and coin to and from commercial banks, which might create the erroneous impression that the provisions regarding "distribution" are applicable to delivery. To avoid this, the Treasury Department may consider it advisable to use a more clearly limited term, such as "allocation", in lieu of "distribution", or to state explicitly that the requirement of "equitable and impartial distribution" does not relate to shipment or other aspects of delivery or receipt.

As indicated, the Circular hereafter will refer, for the first time, to the terms and conditions of shipments of currency and coin between Reserve Banks and commercial banks. This reference is not, of course, intended to imply that the Reserve Banks are subject to the directions of the Treasury Department with respect to such terms and conditions. Since the situation in this respect is clear to the Treasury Department and the Federal Reserve Banks, it is believed unnecessary to clarify the matter in the Circular.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

3745

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 6  
10/5/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 6, 1966.

Dear Sir:

The Board of Governors has noted the action taken by the Conference of Presidents at its meeting on September 12, 1966, approving the following recommendations with respect to currency and coin services.

1. Shipments as well as orders should be accepted from nonmember banks.
2. Services to nonmember banks should include currency as well as coin.
3. Shipments of currency and coin should be made to and accepted from branches of nonmember banks to the same extent as they are made to and accepted from branches of member banks.
4. Transportation of currency and coin to and from nonmember banks shall be at their own risk and expense pending further study of this aspect of the question by the Subcommittee.

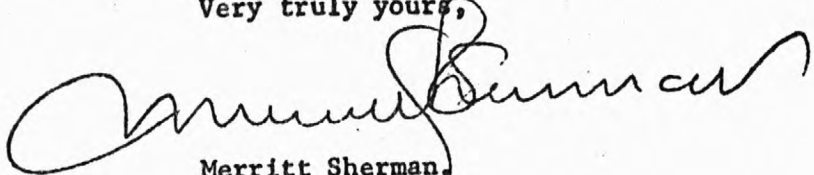
The Board concurs in these recommendations. Recommendations 1 and 2 refer to services that are covered in the proposed revision of Treasury Circular No. 55 approved by the Conference of Presidents at the September 12 meeting. The Board has considered the proposed revision and, as requested by Chairman Wayne, it has been transmitted to the Treasury. A copy of the Board's letter of transmittal is enclosed.

In the circumstances, your Bank may wish to defer revising its operating circular to cover any new services to be extended to



nonmember banks until Treasury Circular No. 55 is revised. However, there would be no objection to issuance of a revised operating circular at this time, if in the judgment of the Reserve Bank that seems desirable.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman". The signature is written in dark ink and is positioned above the typed name.

Merritt Sherman,  
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

3747

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

Item No. 7  
10/5/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 7, 1966

The Honorable Donald F. Turner,  
Assistant Attorney General,  
Antitrust Division,  
Department of Justice,  
Washington, D. C. 20530

Attention Mr. J. W. Neville

Re: U. S. v. Provident National Bank and  
Central-Penn National Bank of Philadelphia

Dear Mr. Turner:

This acknowledges your letter of September 21, 1966, respecting the above case, requesting, in connection with the Department's preparation of its case for trial, that representatives of the Department be permitted to interview Mrs. Elizabeth P. Deutermann, an employee of the Federal Reserve Bank of Philadelphia, regarding the competitive aspects of the Provident and Central-Penn merger. You also request that the Department's representatives be given access to a memorandum, and supporting papers, prepared by the Philadelphia Reserve Bank for the Board of Governors analyzing and discussing the competitive factors involved in that merger.

The Board has agreed to the proposed interview of Mrs. Deutermann at the Federal Reserve Bank, but has declined to grant your request for access to the memorandum and related documents prepared by the staff of the Reserve Bank for the Board's use in connection with the proposed merger. The Board's decision reflects the fact that the documents in question constitute unpublished information of the Board and the Board's judgment that the circumstances attending your request do not sufficiently support a finding of good cause for the requested disclosure.

The Honorable Donald F. Turner

-2-

With respect to your proposed interview with Mrs. Deutermann, arrangements therefor may be made through Mr. Joseph R. Campbell, Vice President, Federal Reserve Bank of Philadelphia, 925 Chestnut Street, Philadelphia, Pennsylvania. 19101 A copy of this letter will be sent to Mr. Campbell.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 8  
10/5/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 7, 1966

Mr. Joseph R. Campbell, Vice President,  
Federal Reserve Bank of Philadelphia,  
925 Chestnut Street,  
Philadelphia, Pennsylvania. 19101

Dear Mr. Campbell:

Reference is made to the recent request of the Department of Justice that, in connection with the pending case of U. S. v. Provident National Bank and Central-Penn National Bank of Philadelphia, representatives of the Department be given an opportunity to interview Mrs. Elizabeth P. Deutermann, an employee of your Bank, and be given access to the memorandum, including related staff work papers, submitted by your Bank to the Board of Governors, which contained your Bank's analysis of and recommendation on the competitive aspects of the proposed merger of Provident and Central-Penn. The Board has authorized the Department to interview Mrs. Deutermann with the understanding that any conversations on this subject be conducted on Bank premises and be restricted in such manner as to avoid disclosure by Mrs. Deutermann of unpublished information of the Board as that term is defined in section 261.2(a) of the Board's Rules Regarding Information, Submittals, and Requests. Thus, the Board's authorization does not contemplate that the Department's representatives will have access to, or be given information from, your Bank's aforementioned memorandum to the Board, or to any of the supporting or related work papers prepared in connection with that memorandum. Further, with respect to the proposed interview of Mrs. Deutermann, it is suggested that you or another official of the Bank whom you designate be present during the interview.

Mr. Joseph R. Campbell

-2-

Regarding the forthcoming trial of the Provident and Central-Penn merger case, it would appear that the attendance at trial of Vice President and General Counsel Vergari, or the Bank's Assistant Counsel, would assure that appropriate opposition would be raised should either plaintiff or defendants attempt disclosure, through elicitation of oral or documentary evidence, of unpublished information of the Board. A copy of the Board's letter to the Department of Justice is enclosed for your information.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure





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

Item No. 9  
10/5/66

OFFICE OF THE CHAIRMAN

October 6, 1966

The Honorable Abraham J. Multer,  
Chairman, Subcommittee on Bank Supervision  
and Insurance,  
Committee on Banking and Currency,  
House of Representatives,  
Washington, D. C. 20515

Dear Mr. Chairman:

This is in reply to your request for a report on H.R. 119 and H.R. 10508, bills relating to the terms of office of the Chairman and Vice Chairman of the Board of Governors.

The Board believes that the terms of office of the Chairman and Vice Chairman of the Board should be related to the President's term of office; this was the apparent intent of Congress in providing that these terms should be four years. The Board also believes that a new President should be able to appoint a Chairman of his own choice, and should not be limited in his selection to incumbent Board members.

A bill to carry out these purposes was submitted to the Congress by President Kennedy on April 17, 1962, and was introduced by Mr. Spence, then Chairman of the Banking and Currency Committee, as H.R. 11602. The Board favors enactment of that bill, which was carefully worked out to accomplish its objectives without disrupting the System's "continuity and independence from political influence," which the Congress has sought to ensure, as the President pointed out in his message submitting the legislation.

Enactment of such a bill at this time would, of course, require technical amendments in recognition of the lapse of time since it was submitted. The Board also believes that it would be desirable to provide a reasonable time lag--perhaps six months--between the time a newly-elected President takes office and the expiration of the terms of the Chairman and Vice Chairman. Amendments for this purpose are incorporated in the enclosed draft. That is, the terms of incumbent Board members would be extended

The Honorable Abraham J. Multer -2-

3752

to June 30 of odd-numbered years rather than January 31 of such years, as provided in H.R. 11602, and the terms of Chairman and Vice Chairman also would expire on June 30, rather than January 31.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

DRAFT

## A B I L L

To amend the Federal Reserve Act to adjust the terms of the chairman and vice chairman of the Board of Governors of the Federal Reserve System.

Be it enacted by the Senate and House of Representatives  
of the United States of America in Congress assembled, that the second paragraph of section 10 of the Federal Reserve Act (12 U.S.C. 242) is amended by striking out the third sentence of such paragraph which now reads: "Of the persons thus appointed, one shall be designated by the President as chairman and one as vice chairman of the Board, to serve as such for a term of four years." and by inserting in lieu thereof the following four sentences: "The term of each member of the Board lawfully in office on January 31, 1968, shall expire on June 30 of the year following the year in which his term would have expired in accordance with his appointment. One member of the Board shall be designated by the President as chairman and one as vice chairman of the Board, each to serve as such for a term of four years expiring on June 30 of the year in which the term of office of the President expires, and the terms as chairman and vice chairman of the members serving as such on June 30, 1969, shall expire on that date. Upon the expiration of the term for which a member of the Board is designated as chairman or vice chairman of the Board, such member shall continue

to serve as chairman or vice chairman, as the case may be, until his successor as such is designated by the President. Whenever a vacancy shall occur, other than by expiration of term, in the office of chairman or vice chairman, another member of the Board shall be designated by the President to fill such vacancy and shall hold such office for the unexpired term of his predecessor."



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

3755

Item No. 10  
10/5/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 5, 1966

Mr. Irwin L. Jennings, Vice President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Dear Mr. Jennings:

In accordance with the request contained  
in your letter of September 29, 1966, the Board  
approves the appointment of Verlyn R. Johnson as  
an assistant examiner for the Federal Reserve  
Bank of San Francisco, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.