

Minutes for October 12, 1966

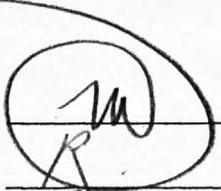
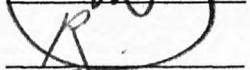
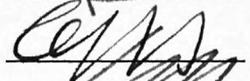
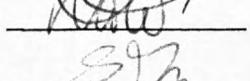
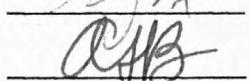
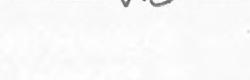
To: Members of the Board

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></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, October 12, 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. Brimmer

Mr. Kenyon, Assistant Secretary
 Mr. Bakke, Assistant Secretary
 Mr. Cardon, Legislative Counsel
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Shay, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Miss Wolcott, Technical Assistant, Office of the Secretary
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations

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 The Kanawha Valley Bank, Charleston, West Virginia, approving the establishment of an in-town branch.	1
Letter to the Federal Deposit Insurance Corporation regarding the application of The Merchants and Planters Bank, Camden, Arkansas, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2
Letter to the Federal Reserve Bank of Richmond waiving the assessment of a penalty incurred by Round Hill National Bank, Round Hill, Virginia, because of a deficiency in its required reserves.	3

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Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Southern National Bank of North Carolina, Lumberton, North Carolina, and The First National Bank of Leaksville, Leaksville, North Carolina, was approved unanimously for transmittal to the Comptroller. The conclusion stated that the proposed merger would not have adverse competitive effects.

Public Bank matter. Mr. Solomon reported that the Federal Reserve Bank of Chicago had advised him by telephone that Public Bank, Detroit, Michigan, had last night been ordered into receivership by the Wayne County Circuit Court, pursuant to a petition filed on behalf of the State Commissioner of Banking, and that the Federal Deposit Insurance Corporation had been appointed as receiver. Under plans previously developed in anticipation of the possibility of such action, the Federal Deposit Insurance Corporation had then caused the assets of Public Bank to be sold to Bank of the Commonwealth, also of Detroit, which in turn assumed Public Bank's liabilities. It was expected that Public Bank's former offices would open for business as usual this morning as branches of Bank of the Commonwealth.

Mr. Solomon recalled that the Board on September 23, 1966, had issued an order approving Bank of the Commonwealth's proposed acquisition of assets and assumption of liabilities of Public Bank pursuant to the Bank Merger Act, as amended, and granting prior approval for the establishment of branches at the locations of the 11 offices of Public Bank.

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In this connection, Mr. Shay reported that a technical question had been raised by counsel for Bank of the Commonwealth whether the Board's approval would also embrace consummation of the transaction through a receivership proceeding. Mr. Shay had advanced the opinion that such was the case.

Following discussion, during which it was brought out that the court had allowed until November 8 for objectors to the transaction to make their views known, it was agreed that no further action on the part of the Board seemed to be indicated at this time.

Foreign travel. Governor Shepardson referred to the approval on October 5, 1966, of foreign travel by Mr. Hersey, Adviser, and Mr. Stem, Economist, Division of International Finance, to attend a meeting of central bank economists in Basle in early November, following which they would visit certain central banks in Europe. It was now recommended that Mr. Stem expand his trip to include two additional working days in Paris in order to engage in technical talks with members of the staff of Eurofinance, a research organization supported by several major United States and European commercial banks for analysis of European corporate accounts.

Mr. Stem was authorized to so extend his foreign travel, with the understanding that he would receive per diem in lieu of subsistence in accordance with the Standardized Government Travel Regulations.

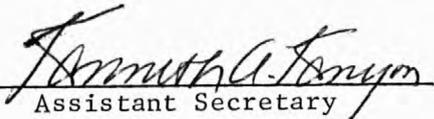
The meeting then adjourned.

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Secretary's Notes: A letter was sent today to International Bank of Commerce, Seattle, Washington, acknowledging receipt of notice of its intent to establish an additional branch in Hong Kong, to be located in the Western District. It was noted that establishment of the branch would not require an additional capital expenditure and that the expenses involved in opening the branch would be nominal.

Governor Shepardson today approved on behalf of the Board the recommendation contained in a memorandum from the Division of Research and Statistics dated September 29, 1966, that Professor Robert J. Lawrence, Department of Economics, University of Texas, be appointed as Consultant through December 31, 1966, on a temporary contractual basis with compensation at the rate of \$60 per day for each day worked and with the understanding that any necessary travel would be in accordance with the Board's travel regulations.


Assistant Secretary



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

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Item No. 1
10/12/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 12, 1966

Board of Directors,
The Kanawha Valley Bank,
Charleston, West Virginia.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Kanawha Valley Bank, Charleston, West Virginia, of a branch on Summers Street between Lee and Washington Streets, Charleston, West Virginia, 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
10/12/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 12, 1966

Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of September 21, 1966, concerning the application of The Merchants and Planters Bank, Camden, Arkansas, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

The 1965 examination of subject bank indicated numerous weaknesses in the bank's records, systems and internal controls, and the Reserve Bank urged that corrective action be taken. Subject subsequently advised the Reserve Bank that efforts would be made to strengthen internal procedures. There are no programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System.

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
10/12/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 12, 1966.

Mr. Aubrey N. Heflin,
First Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Heflin:

This refers to your letter of September 19, 1966, regarding an average daily deficiency of \$18,286 in the reserves of the Round Hill National Bank, Round Hill, Virginia, for the reserve computation period ended August 17, 1966, on which the penalty would be \$45.59.

It is noted that the deficiency occurred through a clerical error at the member bank; that the bank has since reviewed with your Bank the proper method of reserve computation; and that the bank has a good record of maintaining its reserves.

In the circumstances, the Board authorizes your Bank to waive assessment of the penalty of \$45.59 for the reserve computation period ended August 17, 1966.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

