

Minutes for October 14, 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 a meeting of the available members of the Board of Governors of the Federal Reserve System on Friday, October 14, 1966.

The meeting was held in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Bakke, Assistant Secretary  
Mr. Young, Senior Adviser to the Board and  
Director, Division of International Finance  
Mr. Solomon, Adviser to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Hackley, General Counsel  
Mr. Solomon, Director, Division of Examinations  
Mr. O'Connell, Assistant General Counsel  
Miss Eaton, General Assistant, Office of the  
Secretary  
Mr. Morgan, Staff Assistant, Board Members'  
Offices

Messrs. Koch, Garfield, Williams, Axilrod,  
Gramley, Bernard, Eckert, Ettin, Keir, Kelty,  
and Rosenblatt, and Mrs. Peskin of the Divi-  
sion of Research and Statistics

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

Money market review. Mr. Kelty reported on the Government securities market, following which Mr. Axilrod commented on bank credit projections and Mr. Baker reported on the foreign exchange markets. Mr. Koch commented briefly on the national summary of business conditions that would be released later today, and Mr. Keir concluded the review with remarks on savings flows at savings and loan associations. Copies of the tables distributed in connection with today's review have

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been placed in the Board's files, along with copies of the reports by some of the participants.

Following the presentation all members of the staff except Messrs. Kenyon, Bakke, Fauver, Hackley, Solomon (Examinations), O'Connell, and Gemmill, and Miss Eaton withdrew from the meeting and Messrs. Dahl and Egertson of the Division of Examinations entered.

The following actions were taken subject to ratification at the next meeting of the Board at which a quorum was present:

Discount rates. The establishment without change by the Federal Reserve Bank of Boston on October 10 and by the Federal Reserve Banks of Cleveland, Richmond, St. Louis, Kansas City, and Dallas on October 13, 1966, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

	<u>Item No.</u>
Letter to Girard Trust Bank, Philadelphia, Pennsylvania, approving the establishment of a branch in Upper Darby Township.	1
Letter to Iron and Glass Dollar Savings Bank, Pittsburgh, Pennsylvania, approving the establishment of a branch in Mount Lebanon Township.	2

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	<u>Item No.</u>
Letter to Johnsonville State Bank, Johnsonville, South Carolina, approving its application for membership in the Federal Reserve System.	3
Letter to Greene County Bank, Greeneville, Tennessee, approving the establishment of an in-town branch.	4
Letter to Boston Overseas Financial Corporation, Boston, Massachusetts, consenting to the acquisition of shares of Credito Comercial, S.A., San Salvador, El Salvador.	5
Letter to Bank of the Commonwealth, Detroit, Michigan, advising that the Board's order of September 23, 1966, approving Bank of the Commonwealth's application to acquire the assets and assume the liabilities of Public Bank, also of Detroit, was applicable to the procedure eventually followed under which Bank of the Commonwealth acquired the assets of Public Bank from the Federal Deposit Insurance Corporation as receiver of Public Bank; and that the Board's order authorized the operation of offices of Public Bank as branches of Bank of the Commonwealth.	6
Letter to the Bureau of the Budget recommending approval of enrolled bill S. 3158, the so-called "cease and desist" bill.	7
Letter to the Federal Reserve Bank of St. Louis extending from October 14 to October 28, 1966, the time allowed for General Bancshares Corporation, St. Louis, Missouri, to file any comments on the statement of the Department of Justice with respect to the corporation's pending application under the Bank Holding Company Act.	8

In connection with Item No. 6, the Board was advised that counsel for Bank of the Commonwealth had suggested that some action be taken to make it clear on the record that the Board's order of

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September 23, 1966, was applicable in all respects to the form of transaction in which Bank of the Commonwealth acquired the assets of Public Bank from the Federal Deposit Insurance Corporation, as receiver. In the circumstances, the Legal Division recommended that a letter be sent to Bank of the Commonwealth, with copies to the Federal Reserve Bank of Chicago, the Federal Deposit Insurance Corporation, the Commissioner of Banking of Michigan, and the Department of Justice.

With respect to Item No. 7, the Board noted that enrolled bill S. 3158 (a compromise version of separate proposals previously passed by the Senate and the House) provided that the regulatory powers granted thereby to the Federal bank supervisory agencies and the Federal Home Loan Bank Board would remain in effect until June 30, 1972. The Board also noted that the enrolled bill would increase from \$10,000 to \$15,000 the Federal insurance coverage on deposits in banks and share accounts at savings and loan associations.

The meeting then adjourned.

Secretary's Notes: On October 13, 1966, Governor Shepardson approved on behalf of the Board the recommendation of the Consultant Committee on Prices and Price Measurement as described in a memorandum from the Division of Research and Statistics dated October 10, 1966, that certain scholars be commissioned to prepare a total of six papers on the subject of prices and price measurement, with an honorarium of \$1,500 to be offered for each paper.

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Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointments

Alma L. Selvidge as Secretary, Office of the Secretary, with basic annual salary at the rate of \$5,683, effective the date of entrance upon duty.

Gwendolyn G. Todd as Secretary, Office of the Secretary, with basic annual salary at the rate of \$5,683, effective the date of entrance upon duty.

  
Assistant Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 1  
10/14/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966

Board of Directors,  
Girard Trust Bank,  
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Girard Trust Bank, Philadelphia, Pennsylvania, on the south side of Baltimore Pike between Oak and Bishop Avenues, Upper Darby Township, Delaware County, Pennsylvania, provided the branch is established with one year from the date of this letter, and provided further that branch operations now conducted in the Penn Fruit Building on Baltimore Pike at Oak Avenue, Upper Darby, Pennsylvania, are discontinued simultaneously with the establishment of the above branch.

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.)

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

Item No. 2  
10/14/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966

Board of Directors,  
Iron and Glass Dollar Savings Bank,  
Pittsburgh, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Iron and Glass Dollar Savings Bank, Pittsburgh, Pennsylvania, of a branch at 602 Castle Shannon Boulevard, Mount Lebanon Township, Allegheny County, Pennsylvania, 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

Item No. 3  
10/14/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966

Board of Directors,  
Johnsonville State Bank,  
Johnsonville, South Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the application of Johnsonville State Bank, Johnsonville, South Carolina, for stock in the Federal Reserve Bank of Richmond, South Carolina, for stock in the Federal Reserve Bank of Richmond, South Carolina, subject to the numbered conditions hereinafter set forth:

1. Such bank at all times shall conduct its business and exercise its powers with due regard to the safety of its depositors, and, except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.
2. The net capital and surplus funds of such bank shall be adequate in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities.

In connection with the foregoing conditions of membership, particular attention is called to the provisions of the Board's Regulation H, regarding membership of State banking institutions in the Federal Reserve System, with especial reference to Section 208.7 thereof. A copy of the regulation is enclosed.

It is understood that the bank does not plan to exercise fiduciary powers upon admission to membership. Should the bank at any future time desire to exercise any powers not exercised at the time of admission to membership it will be necessary, under condition of membership numbered 1, to obtain permission of the Board of Governors.

Johnsonville State Bank

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If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors and spread upon its minutes, and a certified copy of such resolution should be filed with the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

The time within which admission to membership in the Federal Reserve System in the manner described may be accomplished is limited to 30 days from the date of this letter, unless the bank applies to the Board and obtains an extension of time. When the Board is advised that all of the requirements have been complied with and that the appropriate amount of Federal Reserve Bank stock has been issued to the bank, the Board will forward to the bank a formal certificate of membership in the Federal Reserve System.

The Board of Governors sincerely hopes that you will find membership in the System beneficial and your relations with the Reserve Bank pleasant. The officers of the Federal Reserve Bank will be glad to assist you in establishing your relationships with the Federal Reserve System and at any time to discuss with representatives of your bank means for making the services of the System most useful to you.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

Enclosure.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
10/14/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966

Board of Directors,  
Greene County Bank,  
Greeneville, Tennessee.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Greene County Bank, Greeneville, Tennessee, of a branch in the Towne Square Shopping Center, Summer Street, Greeneville, Tennessee, provided the branch is established within six months 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.)



Item No. 5  
10/14/66

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

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966.

Boston Overseas Financial Corporation,  
67 Milk Street,  
Boston, Massachusetts. 02106

Gentlemen:

As requested in your letter of September 28, 1966, the Board of Governors grants consent for your Corporation ("BOFC") to purchase and hold up to 5,000 shares, par value 100 colones each, of the capital stock of Credito Comercial, S.A. ("Credcom"), San Salvador, El Salvador, at a cost of approximately US\$200,000, provided such stock is acquired within one year from the date of this letter.

The Board also grants consent for your Corporation to exercise, at any time within five years from the date of this letter, stock conversion privileges up to US\$400,000, incidental to a line of credit to Credcom, and to hold up to 50 per cent of the then outstanding shares of Credcom.

The Board also approves the purchase and holding of such shares in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consent is given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation, The First National Bank of Boston, and Bank of Boston International, will not cause the total of such loans and investments to exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

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. 6  
10/14/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966

REGISTERED - RETURN  
RECEIPT REQUESTED

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

Gentlemen:

This is in further reference to the Order of the Board dated September 23, 1966, approving the applications by Bank of the Commonwealth to acquire assets and assume deposit liabilities of Public Bank, Detroit, Michigan, and to establish branches at the locations of the offices of Public Bank. The Board's Order, the accompanying Statement, and the press release on this matter were forwarded to you with the Board's letter of September 23, 1966.

The aforesaid acquisition of assets and assumption of deposit liabilities and establishment of branches were the subject of an agreement dated September 1, 1966, between Bank of the Commonwealth and Public Bank, and also an agreement dated September 19, 1966, between Bank of the Commonwealth and the Federal Deposit Insurance Corporation. The latter agreement was made in contemplation of the Corporation being appointed receiver of Public Bank.

This is to advise that the Board's Order, referred to above, is fully applicable whether the acquisition of assets and assumption of deposit liabilities and establishment of branches approved therein are to be or have been consummated pursuant to either the agreement of September 1, 1966, or the agreement of September 19, 1966.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 7  
10/14/66

OFFICE OF THE VICE CHAIRMAN

October 14, 1966



Mr. Wilfred H. Rommel,  
Assistant Director for  
Legislative Reference,  
Bureau of the Budget,  
Washington, D. C. 20503

Dear Mr. Rommel:

This is in response to your communication of October 14, 1966, requesting the views of the Board on the enrolled bill S. 3158, "An Act to strengthen the regulatory and supervisory authority of Federal agencies over insured banks and insured savings and loan associations, and for other purposes."

The Board recommends that the enrolled bill be approved by the President.

Sincerely,

(Signed) J. L. Robertson

J. L. Robertson.

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

Item No. 8  
10/14/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

October 14, 1966

Mr. O. O. Wyrick, Vice President,  
Federal Reserve Bank of St. Louis,  
P. O. Box 442,  
St. Louis, Missouri. 63166

Dear Mr. Wyrick:

This acknowledges your letter of October 11, 1966, enclosing a letter from Mr. J. G. Butler, President of General Bancshares Corporation, St. Louis, Missouri, requesting an extension of time to October 28, 1966, within which the corporation may file with the Board comments on the statement of the Department of Justice with respect to the corporation's pending application under the Bank Holding Company Act.

The Board has granted the corporation's request and will receive any views it may care to submit on or before October 28, 1966. Please advise the corporation of the Board's action in this matter.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,  
Assistant Secretary.