

Minutes for November 2, 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

RM

Gov. Robertson

Gov. Shepardson

SR

Gov. Mitchell

SM

Gov. Daane

DD

Gov. Maisel

SM

Gov. Brimmer

CB

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, November 2, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Kenyon, Assistant Secretary
 Mr. Molony, Assistant to the Board
 Mr. Cardon, Legislative Counsel
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Solomon, Director, Division of Examinations
 Mr. Shay, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Thompson, Assistant Director, Division of Examinations
 Miss Wolcott, Technical Assistant, Office of the Secretary
 Mrs. Heller, Senior Attorney, and Mr. Shuter, Attorney, Legal Division
 Mr. Ring, Technical Assistant, Division of Bank Operations
 Messrs. Egertson and Maguire, Supervisory Review Examiners, 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.

Item No.

Letter to Peoples Trust Company of Bergen County, Hackensack, New Jersey, approving the establishment of an in-town branch and commenting on the bank's capital position.

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Item No.

Letter to Citizens Bank of Monroe, Monroe, New York, approving the establishment of a branch in Harriman.

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Reports on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Kouts State Bank, Kouts, Indiana, with Farmers State Bank, Valparaiso, Indiana, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

Consummation of the proposed merger would eliminate a moderate amount of existing and potential competition between The Kouts State Bank and Farmers State Bank, Valparaiso, primarily in the area served by the Kouts bank. The overall competitive effect of the proposed transaction would be slightly adverse.

A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of First National Bank of Lexington, Lexington, Mississippi, and Pickens Bank, Pickens, Mississippi, was approved unanimously for transmittal to the Comptroller. The conclusion stated that the proposed merger would not have adverse competitive effects.

A modification of the conclusion having been agreed upon, unanimous approval was given to the transmittal to the Comptroller of the Currency of a report on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Mission National Bank, Peoples Bank, and Pioneer National Bank, all of Los Angeles, California,

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by United States National Bank, San Diego, California. In the form in which approved, the conclusion read as follows:

The acquisition of Mission National Bank, Los Angeles, Peoples Bank, Los Angeles, and Pioneer National Bank, Los Angeles, by United States National Bank, San Diego, would eliminate existing competition and would eliminate potential for more competition among the four banks.

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

Status of Moody Foundation (Item No. 3). There had been distributed a memorandum from the Legal Division dated October 28, 1966, relating to a request from attorneys for the Moody Foundation, Galveston, Texas, for a determination as to the status of the Foundation under the Bank Holding Company Act, as amended July 1, 1966. Prior to the 1966 amendments to the Holding Company Act, the Foundation, a privately-created foundation with perpetual existence, organized and operated for religious, charitable, and educational purposes, had been excepted from the definition of "company." However the so-called "charitable" exemption had been deleted from the Bank Holding Company Act, and the Foundation was now clearly classified as a "company." From the facts presented the Legal Division concluded that the Foundation was a bank holding company by virtue of its direct or indirect ownership or control of 25 per cent or more of the shares of each of two banks, namely, Moody National Bank and Bank of Galveston, National Association, both of Galveston, Texas. In addition, it was the opinion of the Legal Division, for reasons expressed

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in the memorandum, that the Foundation qualified as a bank holding company on the basis of its direct or indirect ownership or control of 25 per cent or more of the outstanding shares of W. L. Moody & Co., Bankers, Galveston, Texas, a private unincorporated bank, and of a second bank (Moody National and/or Bank of Galveston). In this connection question arose as to the status of a private unincorporated bank within the meaning of the Bank Holding Company Act. It was the conclusion of the Division that a private bank was a "bank" within the definition of that term in section 2(c) of the Bank Holding Company Act, if it was an institution that accepted demand deposits; also that it was a bank within the meaning of that term as used in section 2(a) of the Bank Holding Company Act.

Attached to the distributed memorandum was a proposed letter to the attorneys for the Moody Foundation that would set forth the conclusion that the Foundation was a bank holding company, define a private bank as being a bank within the meaning of the Bank Holding Company Act, and deny, for the time being at least, the request of the Foundation for an extension of time within which to file a registration statement under section 5(a) of the Bank Holding Company Act.

In commenting on the matter Mrs. Heller raised the question whether the Board wished to take a position at this time on the status of private banks within the meaning of the Bank Holding Company Act, as amended. Comments by members made it clear that the Board was willing

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to take a position, and there was general agreement with the approach set forth in the proposed letter.

In this connection, however, Governor Brimmer raised a question as to the number and size of private banks presently in existence, adding that his question reflected a conviction that whenever the Board was considering an interpretation it was important to have accurate information as to the magnitudes involved in terms of who would be affected and how. After some information on the number of private banks had been supplied by staff, Mr. Hackley observed that although the question of the status of a private bank under the Bank Holding Company Act had not arisen previously, in January 1964 the Board, in response to an inquiry from the Federal Reserve Bank of New York, had ruled that a private bank (Brown Brothers Harriman & Co.) was a "bank" within the definition of that term in section 1, paragraph 2, of the Federal Reserve Act and was eligible to maintain a nonmember clearing account; that interpretation was subsequently published. Mr. Hackley noted that it would seem inconsistent to hold that a private bank was a bank for such purpose but not for purposes of the Bank Holding Company Act. Governor Brimmer indicated that in view of that background he would be satisfied to go ahead with the proposed interpretation.

Unanimous approval was then given to the letter to the attorneys for the Moody Foundation, a copy of which is attached as Item No. 3.

Permission to carry reduced reserves (Item No. 4). There had been distributed a memorandum from the Division of Bank Operations dated

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October 24, 1966, to which was attached a draft of letter to the Federal Reserve Banks that would consolidate the Board's outstanding instructions with respect to the handling of cases involving permission for member banks in reserve cities to carry reduced reserves. The letter would supersede the Board's letters of August 9, 1946, and July 31, 1959, and serve as a reference for use in conjunction with section 19 of the Federal Reserve Act and Regulation D (Reserves of Member Banks) in the handling of such cases.

Following remarks by Mr. Ring supplementing the distributed material, certain suggestions for editorial changes in the draft letter were made by members of the Board. Unanimous approval was then given to a letter to the Reserve Banks in the form attached as Item No. 4.

Suggested amendments to Regulation O. There had been distributed a memorandum from the Legal Division dated October 26, 1966, relating to suggested amendments to Regulation O (Loans to Executive Officers of Member Banks) that would (1) exempt from the restrictions of the Regulation indebtedness incurred by an executive officer in connection with charge accounts, and (2) in effect restrict the application of the definition of "executive officer" to top management.

Pursuant to action taken at the meeting on August 19, 1966, a proposed amendment relating to charge accounts was published in the Federal Register for comment, and a draft amendment relating to the definition of "executive officer" was sent to the Federal Reserve Banks for comment.

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Comments received on the "charge account" amendment were generally favorable, although a technical change suggested by the Federal Reserve Bank of Minneapolis was thought to have merit. As originally drafted, the exemption covered "charge or time credit accounts," which are defined in the Uniform Commercial Code to exclude accounts evidenced by instruments, i.e., notes. The Legal Division recommended adoption of an amendment to Regulation O so worded as to make it clear that the presence or absence of a note would not affect the application of the exception contained therein.

Following remarks by Mr. Shuter supplementing the distributed material, Mr. Hackley referred to a telephone call from a Boston attorney who raised a question as to the applicability of the proposed "charge account" amendment to operations under certain bank credit card plans. Mr. Hackley indicated that the Legal Division had not had an opportunity to study the question, which was to be presented by the attorney in letter form, in light of the amendment as now constituted, and he suggested that adoption of the proposed amendment be conditioned upon a finding by the Legal Division that the material received from the Boston attorney did not present problems that should have further consideration by the Board.

Unanimous approval was then given to proceeding on the basis outlined by Mr. Hackley.

Among the comments by the Reserve Banks on the proposed amendment defining "executive officer" was a suggestion that the definition

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include as a standard, in addition to participation in general management, responsibility for establishment of policy. The reaction of the Legal Division was favorable, and the Division now recommended that a proposed amendment to Regulation O incorporating this suggestion be published in the Federal Register for comment.

Members of the Board explored various aspects of the matter, including the meaning of the term "top management," possible interpretations of the intent of the applicable statute, the role of the lending officer, and the effect of the proposed definition in terms of the operations of both large and small banks. Several suggestions for modification of the language of the proposed amendment were made, principally by Governor Robertson.

It was understood that the Legal Division would consider a revised draft of definition of "executive officer" in the light of today's discussion with a view to further consideration of the matter by the Board at a subsequent meeting.

Michigan National Bank matter. There had been distributed a memorandum from Mr. Hackley dated November 1, 1966, referring to a telephone inquiry from Counsel for the Michigan Bankers Association as to what action the Board planned to take on the proposal by Michigan National Bank, Lansing, to acquire at least 80 per cent of the outstanding voting stock of Michigan Bank, National Association, Detroit. This inquiry gave rise to the question of how future calls should be handled.

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Attached to the memorandum was a suggested guideline for possible use by the Board's staff that would briefly state the Board's position in the matter and indicate that the Board's views had been communicated to Michigan National Bank. (The Board's views had been communicated to the bank in a letter dated October 31, 1966.)

In discussion various approaches were considered, including the possibility of issuing a public statement. In this regard consideration was given to the public relations aspects involved, both from the standpoint of the member banks concerned and the general public.

Governor Robertson expressed a preference against revealing the position taken by the Board in supervisory correspondence with a particular bank. He suggested replying to inquiries on the Michigan National Bank matter to the effect that the Board had taken the position in the past that it was illegal for a member bank to acquire the stock of another bank; that if a bank's pension fund owned stock of another bank, control of that stock would be attributed to the bank itself for purposes of the Bank Holding Company Act; and that if a bank through a pension fund acquired 25 per cent or more of the voting stock of another bank, it would become a bank holding company. He further suggested that no public statement be issued at this time.

There was general agreement that inquiries should be answered along the lines suggested by Governor Robertson and that consideration of the issuance of a public statement should be deferred pending developments.

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All members of the staff except Messrs. Kenyon and Fauver then withdrew from the meeting.

Director appointment. In light of developments since the date of the Board's action on September 22, 1966, relating to the appointment of a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland to succeed Dr. Bach, it was agreed to ascertain through the Chairman of the Bank whether Lawrence E. Walkley, President of the Westinghouse Air Brake Company, Pittsburgh, Pennsylvania, would accept appointment if tendered for the unexpired portion of the term ending December 31, 1966, and for the three-year term beginning January 1, 1967, with the understanding that the appointment would be made if it were found that Mr. Walkley would accept.

Secretary's Note: It having been ascertained that Mr. Walkley would accept the appointment if tendered, an appointment telegram was sent to him on November 3, 1966.

Mr. Fauver then withdrew from the meeting.

Balance of payments. Governor Brimmer commented on the nature of discussions that were taking place within the Cabinet Committee on the Balance of Payments, particularly with respect to the terms on which the voluntary program administered by the Commerce Department for restraint on foreign investment by U.S. corporations would be carried forward into 1967. He noted in this connection that it appeared to be the thinking that monetary policy should not have to bear as much balance of payments

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responsibility in 1967 as it would if the present voluntary programs were dismantled. He then indicated that he had been thinking of the possibility of establishing a task force from among the Board's staff to try to conceive a viable longer-run position in relation to the balance of payments on the basis of which Governmental policy guidelines might be recommended and that Mr. Solomon (Adviser) had been working with him on the question of how to put together such a task force. He hoped to be able to submit a concrete proposal for the Board's consideration within the near future. It was his tentative thinking that at least initially the task force would be drawn from within the Board's organization, rather than the System as a whole.

Governor Daane suggested that further thought be given to the feasibility of including personnel from Reserve Banks, or at least the New York Bank, in such a task force, to the extent that the limits of confidential information would permit, on the basis that their capabilities in the balance of payments area might be of considerable value.

Governor Daane went on to say that since the Cabinet Committee apparently had rejected the idea of a suspension of the Board-administered voluntary foreign credit restraint program the matter was now in the posture of looking for the most appropriate program guidelines for 1967. He reviewed some of his thinking concerning possible alternatives, including those that he would consider undesirable, and it was understood that the subject would be discussed by the Board in more detail on Monday,

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November 7, on the basis of proposals being formulated by Governor Robertson.

Staff appointment. The Board approved the appointment of Charles C. Walcutt as Assistant Chief Federal Reserve Examiner in the Division of Examinations, a newly created officer position, with salary at the rate of \$20,000 per annum, effective as of the date of Mr. Walcutt's entrance upon duty.

The meeting then adjourned.

Secretary's Notes: On November 1, 1966,
Governor Shepardson approved on behalf
of the Board the following items:

Letter to Mrs. Jessie Mullins, George Washington University, confirming arrangements for a 15-hour course in secretarial training for stenographers and secretaries at the Board in connection with the Board's Employee Training and Development Program, a fee of \$700 to be paid the University at the completion of the course.

Letter to the Federal Reserve Bank of San Francisco (copy attached as Item No. 5) approving the appointment of Robert N. Goff, Wilbert M. Nylander, William T. Speer, Jr., and James W. Stacey as examiners.

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

Salary increases

Howard B. Cloth, Attorney, Legal Division, from \$6,451 to \$7,696 per annum, effective November 20, 1966.

Dorothy Werner, Analyst, Division of Bank Operations, from \$7,942 to \$8,479 per annum, effective November 6, 1966.

Letters were sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish the following branches: (1) an additional branch in Chile, to be located

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in the Estacion Central Section of Santiago; and (2) an additional branch in Hong Kong, to be located in the Hotel Merlin, Kowloon. The letters noted that the expenditures required to establish the branches would be provided from available local funds.

A letter was sent today to International Banking Corporation, New York, New York, acknowledging receipt of advice that The First National City Bank of New York (South Africa) Ltd. intended to establish an additional branch in South Africa, to be located in the Township of Isando, Transvaal Province.

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. 6) authorizing Peter Bacon, a research fellow in the Bank's Research Department, to have supervised access to certain reports of examination of Fidelity Trust Company and of Fletcher Trust Company, both of Indianapolis, Indiana, for use in connection with his doctoral dissertation dealing with bank mergers in the Indianapolis area.

Letter to the Federal Reserve Bank of Richmond (copy attached as Item No. 7) approving the appointment of Lawrence P. Nuckols and Francis F. Falls as assistant examiners.

Letter to the Federal Reserve Bank of St. Louis (copy attached as Item No. 8) approving the appointment of Paul R. McAllister as assistant examiner.

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

Appointment

James F. Leyman as Assistant Federal Reserve Examiner, Division of Examinations, with basic annual salary at the rate of \$7,696, effective the date of entrance upon duty.

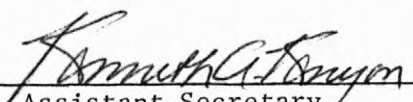
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Salary increases, effective November 6, 1966

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Adrien P. Francoeur, Federal Reserve Examiner		\$10,796	\$11,685
C. Hadley Fraser, Federal Reserve Examiner		10,796	11,685
Roger A. Haskell, Assistant Federal Reserve Examiner		8,740	9,536
Carl A. Zimmerman, Assistant Federal Reserve Examiner		8,740	9,536



 Assistant Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
11/2/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 2, 1966



Board of Directors,
Peoples Trust Company of Bergen County,
Hackensack, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Peoples Trust Company of Bergen County, Hackensack, New Jersey, of a branch at the intersection of Route 4 and Hackensack Avenue, Hackensack, Bergen County, New Jersey, provided the branch is established within one year from the date of this letter.

The Board understands consideration is being given to all means of strengthening your bank's less than satisfactory capital position.

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. 2
11/2/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 2, 1966



Board of Directors,
Citizens Bank of Monroe,
Monroe, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Citizens Bank of Monroe, Monroe, New York, of a branch in the vicinity of the intersection of State Route 17M and Church Street, Harriman, Orange County, New York, 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
11/2/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 2, 1966.



Louis J. Dibrell, Esq.,
Dibrell, Dibrell & Greer,
American National Building,
Galveston, Texas. 77550

Re: The Moody Foundation

Dear Mr. Dibrell:

This refers to your two letters of September 19, 1966, addressed to Mr. Thomas R. Sullivan, Vice President of the Federal Reserve Bank of Dallas, requesting an administrative determination by the Board with respect to the status of the Moody Foundation ("the Foundation") under the Bank Holding Company Act as amended July 1, 1966 ("the Act").

After careful consideration of the facts presented and of the position advanced on behalf of the Foundation, the Board has concluded that, in the light of the provisions of the Act, the Foundation is a bank holding company under the Act, on the basis of its direct and indirect ownership or control of 25 per cent or more of the voting shares of two or more banks.

The facts, as presented in your letter, show that the Foundation is a "company" (a fact conceded by you); that it owns 123,951 out of 250,000 shares (49.6 per cent) of the Moody National Bank of Galveston, Texas ("Moody National") and has the right to vote an additional 626 shares. On this basis, Moody National is a bank subsidiary of the Foundation. In addition, Moody National, through its 100 per cent owned subsidiary, the Galveston City National Corporation, indirectly owns or controls 4,999 of the 20,000 outstanding shares (24.99 per cent) of the stock of the Bank of Galveston, National Association ("Bank of Galveston"). The Moody National Bank Employees Pension Plan Trust ("Pension Trust"), which is administered by Moody National as trustee, owns 54 shares (.27 per cent) of the stock of Bank of Galveston. In this connection, your attention is directed to

Louis J. Dibrell, Esq.

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section 2(g)(2)(C) of the Act providing that shares controlled by trustees for the benefit of employees of a company shall be deemed to be controlled by such company. Thus, on the basis of Moody National's indirect ownership or control of 24.99 per cent and an additional .27 per cent of the stock of the Bank of Galveston, it is concluded that the Bank of Galveston is a subsidiary of Moody National. By virtue of the provisions of section 2(g)(1) of the Act providing that shares controlled by a subsidiary shall be deemed to be controlled by the parent, it follows that the Bank of Galveston is a subsidiary of the Foundation.

In addition to the above described ownership and control of bank shares, you have stated that the Foundation owns an undivided one half partnership interest in W. L. Moody and Company, Bankers, a private unincorporated bank. It appears to the Board that a private bank is a "bank" within the definition of that term in section 2(c) of the Act, if it is an institution that accepts demand deposits; also that it is a bank within the meaning of that term as used in section 2(a) of the Act.

On the basis of the foregoing, the Board concludes that the Foundation is a bank holding company under the Act, and will be required to register as such pursuant to section 5(a) of the Act, and to comply with all other requirements of the Act. In the latter regard, your attention is directed particularly to sections 3 and 4 of the Act. For your convenience, copies of the Board's Registration Statement, Form F.R.-5, are enclosed. Inasmuch as registration is not required of the Foundation before the latter part of December, the Board finds unnecessary, at this time, any action on your request for an extension of the time for filing the Foundation's Registration Statement.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Enclosures

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
11/2/66

WASHINGTON, D. C. 20551

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ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 2, 1966.



Dear Sir:

This letter consolidates the Board's instructions with respect to applications by individual member banks for permission to carry reduced reserves, and is intended as a convenient reference to be used with Section 19 of the Federal Reserve Act and the Board's Regulation D for handling such applications. The Board's letters of August 9, 1946 (S-928, F.R.L.S. #6050) and July 31, 1959, are hereby superseded.

The Board will generally accept size alone as indicative of character of business in approving applications for reduced reserves from banks with demand deposits of not more than \$25 million. Accordingly, in such cases no other information need be submitted unless the Reserve Bank feels there are unusual circumstances that should be brought to the Board's attention. When applications are submitted from banks with demand deposits of more than \$25 million, it would be helpful if, in addition to such other data and comments as your Bank may deem desirable to submit with its recommendation, the following information with regard to the subject member bank is furnished the Board:

1. Amount of total assets.
2. Amount of total deposits.
3. Amount of demand deposits.
4. Amount of time deposits.
5. Identification, by broad classes, of depositors and borrowers.
6. Number, amount, and activity of correspondent bank accounts.
7. Balances due from banks.
8. Nature and extent of competition with banks not eligible for reduced reserves.
9. Volume of debits against deposit accounts, and turnover ratios, in comparison with other banks in the same city.

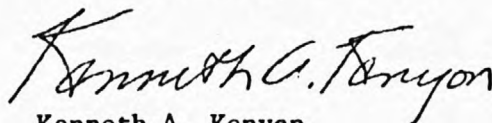
10. Average ratio of excess reserves to required reserves.
11. Activity in the markets for Federal funds, Treasury bills, bankers' acceptances, and certificates of deposits, and use of credit facilities of the Reserve Bank in maintaining reserve position.
12. Ratios to total loans of commercial and industrial loans, loans to brokers and dealers in securities, loans to nonbank financial institutions, and consumer loans.

The situation with respect to each bank that has permission to carry reduced reserves should be reviewed at least annually, upon the completion of the examination thereof if it is a State bank and upon receipt of the first report of examination in each calendar year if it is a national bank. Upon completion of such review, if your Bank is of the opinion that the permission to carry reduced reserves should be revoked or that it is a borderline case, appropriate information concerning the bank should be submitted to the Board together with your Bank's recommendation. However, if your Bank is satisfied that the permission to carry reduced reserves should be continued, it will be sufficient if a statement to that effect, together with the memorandum reviewing the bank's situation, is placed in the Reserve Bank's files.

During the period between the reviews provided for above, the Board would also appreciate information with respect to any change in the character of a bank's business which your Bank feels might warrant revocation of the permission to carry reduced reserves, including the establishment of an office that brings the bank into significant competition with banks not eligible for reduced reserves.

In the absence of permission to carry reduced reserves, a member bank must carry the reserves of a reserve city bank if its head office or a branch is within the city limits of a reserve city. A member bank in process of organization in a reserve city, or a member bank outside of a reserve city which establishes or acquires an office within a reserve city, or which is brought therein through a change in the boundaries of the city, should be promptly notified of the higher reserve requirements in order that it may take the necessary steps to maintain the prescribed reserves and, if appropriate, make application for reduced reserves.

Very truly yours,



Kenneth A. Kenyon,
Assistant Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

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

Item No. 5
11/2/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 2, 1966

Mr. H. Edward Hemmings, First Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Hemmings:

In accordance with the request contained in your letter of October 25, 1966, the Board approves the appointments of Robert N. Goff, Wilbert M. Nylander, William T. Speer, Jr., and James W. Stacey, at present assistant examiners, as examiners for the Federal Reserve Bank of San Francisco, effective January 1, 1967.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 6
11/2/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 2, 1966.

Mr. Leland M. Ross, Vice President,
Federal Reserve Bank of Chicago,
P. O. Box 834,
Chicago, Illinois. 60690

Dear Mr. Ross:

This acknowledges your letter of October 13, 1966, enclosing a memorandum request from Vice President Baughman of your Bank's Research Department requesting that Mr. Peter Bacon, a research fellow employed in Mr. Baughman's department, be given access to reports of examination of Fidelity Trust Company and of Fletcher Trust Company, both of Indianapolis, at dates set forth in Mr. Baughman's memorandum. Mr. Baughman states that Mr. Bacon seeks access to these reports in aid of his preparation of a doctoral dissertation dealing with bank mergers in the Indianapolis area. Mr. Baughman offers assurance that the staff of the Research Department will have ample opportunity to review Mr. Bacon's dissertation as it is being developed and prior to its submission to Indiana University.

The Board authorizes Mr. Bacon's access to the reports of examination identified in Mr. Baughman's October 11 memorandum, it being understood that Mr. Bacon's study will be limited to the reports so identified. In view of Mr. Bacon's particular interest in information pertaining to the management and ownership of the banks in question, and in the type and extent of affiliation of these banks with other banks, the Board views as extremely important the manner in which Mr. Bacon treats of the information to which he will have access. Accordingly, it is assumed that appropriate personnel of your Department and your Bank's Research Department will take all steps reasonably calculated to assure the proper handling and treatment of this information.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 7
11/2/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 3, 1966



Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the requests contained in your letters of October 28, 1966, the Board approves the appointments of Lawrence P. Nuckols and Francis F. Falls as assistant examiners for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 8
11/2/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 3, 1966

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

Dear Mr. Wyrick:

In accordance with the request contained in your letter of October 27, 1966, the Board approves the appointment of Paul R. McAllister as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.