

Minutes for November 18, 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>W</u>
Gov. Robertson	<u>R</u>
Gov. Shepardson	<u>[Signature]</u>
Gov. Mitchell	<u>[Signature]</u>
Gov. Daane	<u>[Signature]</u>
Gov. Maisel	<u>[Signature]</u>
Gov. Brimmer	<u>[Signature]</u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, November 18, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Broida, Assistant Secretary  
Mr. Young, Senior Adviser to the Board and  
Director, Division of International Finance  
Mr. Holland, Adviser to the Board  
Mr. Solomon, Adviser to the Board  
Mr. Molony, Assistant to the Board  
Mr. Fauver, Assistant to the Board  
Mr. Leavitt, Assistant Director, Division  
of Examinations  
Mrs. Semia, Technical Assistant, Office of  
the Secretary  
Miss Eaton, General Assistant, Office of the  
Secretary  
Mr. Morgan, Staff Assistant, Board Members'  
Offices

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

Messrs. Hersey, Katz, Reynolds, Baker, Grimwood,  
and Ruckdeschel of the Division of Inter-  
national Finance

Money market review. Mr. Bernard discussed conditions in the Government securities market, after which Mr. Ettin commented on bank credit developments and trends in the volume and distribution of time and savings deposits. Materials were distributed relating to perspective on the money and capital markets and on bank reserve utilization,

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financial and monetary indicators, and total time and savings deposits at member banks; copies have been placed in the Board's files. After the staff had responded to various questions arising from the foregoing presentations, Mr. Ruckdeschel reported on foreign exchange developments.

All of the members of the staff then withdrew except Messrs. Sherman, Kenyon, Molony, Brill, and Leavitt, and Mrs. Semia, and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Hexter, Associate General Counsel  
Mr. O'Connell, Assistant General Counsel  
Mr. Smith, Associate Adviser, Division of Research  
and Statistics  
Messrs. Daniels and Kiley, Assistant Directors,  
Division of Bank Operations  
Mr. Smith, Assistant Director, Division of  
Examinations  
Messrs. Forrestal and Sanders, Senior Attorneys,  
Legal Division  
Mr. Golden, Senior Economist, Division of Research  
and Statistics  
Mr. Ring, Technical Assistant, Division of Bank  
Operations  
Messrs. Egertson, Lyon, Maguire, and Rumbarger of  
the Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on November 17, 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 letters. The following letters were approved unanimously after consideration of background information that had been made available

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to the Board. Copies of the letters are attached under the respective item numbers indicated.

	<u>Item No.</u>
Letter to First State Bank of Idabel, Idabel, Oklahoma, approving the establishment of an in-town branch and commenting on the bank's capital position.	1
Letter to Evanston Trust and Savings Bank, Evanston, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	2
Letter to The Chase Manhattan Bank (National Association), New York, New York, granting an extension of time to establish a branch in Seoul, Korea.	3

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of The Boonton National Bank of Parsippany-Troy Hills, New Jersey, Parsippany-Troy Hills, New Jersey, and Trust Company of Morris County, Morristown, New Jersey, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed consolidation of Trust Company of Morris County, Morristown, and Boonton National Bank of Parsippany-Troy Hills would eliminate existing and potential competition and increase the already high concentration of banking resources in Morris County. The overall effect of the proposed merger on competition would be significantly adverse.

Local destruction of Federal Reserve notes (Item No. 4). In a letter of October 28, 1966, the Board submitted to the Federal Reserve Banks for comment a request by the Treasury Department that consideration

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be given to extending to unfit \$5 and \$10 Federal Reserve notes the local destruction procedures now being followed with respect to unfit \$1 Federal Reserve notes, and using in connection with such local destruction a percentage verification at or near the limits imposed by the regulations of the Secretary of the Treasury, namely, not less than 10 per cent of the \$5 denomination and not less than 20 per cent of the \$10 denomination.

There had now been distributed a memorandum dated November 16, 1966, from the Division of Bank Operations reporting that none of the Federal Reserve Banks except Chicago would object to assuming the local destruction of unfit \$5 and \$10 notes on the basis suggested by the Treasury Department; the Chicago Reserve Bank believed a 100 per cent verification would be desirable. The replies from the Boston and St. Louis Reserve Banks also included comments of their General Auditors against percentage verification.

The memorandum stated that the Division considered adequate the verification and audit procedures provided under Treasury regulations. Those procedures specified that (1) the work of each currency sorter would be tested at least monthly, and the percentage of verification might be increased by a Reserve Bank where such action appeared warranted because of differences, the number of errors, or other circumstances; (2) the General Auditor of each Reserve Bank would audit the operation at least four times a year and make additional audits as

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called for by special circumstances; and (3) a representative of the Treasurer of the United States would review each Bank's operations at least yearly and might request a piece count of some or all of the canceled notes on hand. In addition, the Division agreed with the Treasury staff that the Treasury's experience in making a 100 per cent verification for many years tended to establish that the expense of complete verification was not justified. The Division recommended approval of the Treasury's proposal. Attached to the memorandum was a draft of letter to the Treasury Department that would state that there would be no objection to the issuance by the Department of instructions to the Reserve Banks to begin local destruction of \$5 and \$10 Federal Reserve notes.

Introductory comments by Mr. Ring were followed by a statement by Mr. Smith (Assistant Director, Division of Examinations) indicating that some concern had been expressed among the General Auditors of the Federal Reserve Banks over the use of the minimum prescribed procedures for verification and audit. In particular, they felt that the work of currency counters ought to be tested more often than monthly--that with monthly testing the odds were greatly against discovering any defects that might exist. It was expected that the subject would be discussed further by the General Auditors, after which they might wish to make certain recommendations.

The ensuing discussion brought out that the procedures specified in the Treasury regulations were in the nature of minimums, and that

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Reserve Banks could augment them to the extent deemed necessary. Mr. Smith observed that he was not suggesting that the proposed letter to the Treasury be withheld; he recognized that the Treasury regulations were couched in rather broad terms. However, the General Auditors were inclined to believe that unless there was agreement among the Reserve Banks on stricter procedures, the tendency would be to drift toward the minimum steps required by the Treasury.

At the conclusion of the discussion the letter to the Treasury Department was approved unanimously. A copy is attached as Item No. 4.

Messrs. Young, Holland, Solomon (Adviser), and Fauver then rejoined the meeting and Mr. Ring withdrew.

Status of agency issues. An amendment to section 14(b) of the Federal Reserve Act approved on September 21, 1966, authorized open market purchases by the Federal Reserve of "any obligation which is a direct obligation of, or fully guaranteed as to principal and interest by, any agency of the United States." This provision brought up a related question under the eighth paragraph of section 13 of the Act, under which the Federal Reserve Banks have authority to make advances to member banks on specified collateral, including "such notes, drafts, bills of exchange, or bankers' acceptances as are eligible . . . for purchase by Federal reserve banks . . ." Interpretations published by the Board in 1960 and 1962 held, in effect, that certain obligations, although called "notes," were really in the nature of securities and

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were not eligible as collateral for advances under the eighth paragraph of section 13. Adherence to these interpretations would have the effect of excluding from eligibility as collateral for advances some of the agency issues now eligible for purchase under section 14(b) as amended.

In a letter of September 30, 1966, pursuant to action on September 28, the Board informed the Federal Reserve Banks that for the time being advances under the eighth paragraph of section 13 would continue to be governed by the outstanding interpretations, although the matter would be reviewed if it should develop that Congress did not pass the so-called "eligible paper bill," under which the Federal Reserve Banks would be given authority to make advances to member banks upon the security of any sound asset without a penalty rate such as currently provided under section 10(b).

There had now been distributed a memorandum dated November 7, 1966, from the Legal Division stating that, the eligible paper bill not having been enacted into law, the Division had re-examined the question and was of the opinion that the Board's position as reflected in the published interpretations was legally correct. Various facts were set forth in the memorandum in support of that opinion, relating especially to the rationale underlying the published interpretations and the legislative history of pertinent amendments to both sections of the law in past years. Attached to the memorandum was a draft of letter to the Federal Reserve Banks that would reaffirm the Board's outstanding interpretations.

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Commenting in supplementation of the Legal Division's memorandum, Mr. Hackley said that the Division's reading of the legislative history of the recent amendment to section 14(b) failed to disclose indication that Congress had contemplated that if all agency issues were made eligible for purchase they would automatically be eligible as collateral for advances under the eighth paragraph of section 13 without specific amendment to provide such eligibility. On two previous occasions when Congress had made agency issues eligible for purchase, it had also specified that they would be eligible as collateral for section 13 advances. Adherence to the Board's previous position would of course require individual determinations on agency obligations called "notes."

Governor Maisel strongly recommended that the Board rule that any obligations that could be purchased could also be accepted as collateral. After reviewing the record, he was convinced that it had been the intent of Congress to leave to the Federal Reserve the question of eligibility as collateral. He believed there had been a clear intent to treat Federal agency issues the same as direct Government obligations to the greatest possible extent. It seemed to him that, with the Board on record as wanting to remove the complications inherent in statutory definitions of discount eligibility, there could be no question as to what the Congress had the right to assume.

Governor Brimmer said he shared Governor Maisel's view. He had thought personally that the new legislation would have the effect of

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putting agency issues on the same footing as Treasury obligations; the staff had not clarified the situation at the time.

Governor Daane asked if the Board could, by interpretation, justifiably hold that all agency issues would be eligible as collateral for advances under the eighth paragraph of section 13.

Mr. Hackley responded that although a very literal reading of section 13 might suggest that a note that was eligible for purchase was eligible as collateral, the position of the Legal Division was based on reading the word "note" in conjunction with the rest of the phrase-- "such notes, drafts, bills of exchange, or bankers' acceptances as are eligible" for purchase. The Division's position was based also on the fact that on several occasions in the past Congress had made a distinction between notes arising out of individual borrowings and agency issues, all of which legally could be regarded as notes. If agency issues were in the nature of investment securities rather than individual borrowings, the Board had not considered them eligible as collateral under section 13.

Governor Mitchell inquired whether, since some agency issues would meet the test of eligibility, it might not be argued that the intent of Congress had been that they all would. Mr. Forrestal replied that if all agency issues that were called notes were regarded as eligible section 13 collateral merely on the ground that they were called notes, the logic would seem to require a finding that agency issues that were without doubt bonds and debentures likewise would be eligible.

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There ensued discussion of the environment in which the recent amendment to section 14(b) had been developed. It was brought out that at the time the Board endorsed the amendment, its own eligible paper bill had been before the Congress. Apparently there had been an oversight in not anticipating that, in the event the eligible paper bill should fail of enactment, an amendment to section 13 should accompany the amendment to section 14(b). It was brought out also that there was in existence in section 10(b) a provision for making advances on the security of any sound asset--although at a penalty rate.

Governor Robertson recalled that when the recent legislation was first proposed the purpose had been to put all agency issues into the same category for purchase, and also to allow repurchase agreements on them. The related question in regard to discount operations was covered by a different legislative proposal that the Board had hoped would be passed. Since it was not passed, he did not believe it was proper for the Board now to say that such legislation was not needed because the same end could be accomplished through construction of the legislation that had been enacted. It seemed to him the Board should adhere to the legal position recommended, but renew the effort to have the eligible paper bill enacted.

Comments by Chairman Martin and Governor Daane were along somewhat the same lines, reflecting doubt that the circumstances provided sufficient justification for the Board to make an interpretation of the law different from that recommended by its legal staff.

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Asked whether, if it was the policy preference of the Board that agency issues be put on a par with Treasury obligations in regard to eligibility as collateral as well as to purchase, the Legal Division could develop a rationale to support that position, Mr. Hackley replied that a lawyer presumably could render an opinion that the single word "note" in section 13 included as eligible collateral for advances a note that was eligible for purchase under section 14. However, he could not agree that that would be a sound legal opinion.

Governor Maisel expressed the view that the decision was less a legal one than one of policy. The policy question involved whether a mistake had been made in not recommending to the Congress a specific inclusion of all agency issues as eligible collateral under section 13 or whether there had been no mistake, on the ground that the definitions were primarily arbitrary and were subject to Board interpretation. He pointed out that the Board was frequently required to make legal interpretations, some of which were difficult. The present question, he believed, fell within that area.

After further discussion along these lines, Governor Mitchell pointed out that as a practical matter the immediate question was whether or not to send a letter to the Federal Reserve Banks reaffirming the previously published interpretations. While he favored Governor Maisel's position, sentiment within the Board clearly was divided. In the circumstances, the only alternative seemed to be to let the matter rest for the time being and to refrain from sending the proposed letter.

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Accordingly, it was understood that the proposed letter would not be sent at this time and that the matter would be held over.

Application of United States Trust Company (Item No. 5).

Governor Robertson explained circumstances that lent a degree of urgency to an application of United States Trust Company of New York, New York, to organize a corporation under section 25(a) of the Federal Reserve Act to be known as United States Trust Company International Corporation, New York, New York, for the purpose of engaging in international or foreign banking and financial operations. (A memorandum dated November 18, 1966, from the Division of Examinations regarding the application was distributed subsequent to the meeting.) He suggested that a member of the Board be authorized to review the application with the staff and, if the circumstances did not seem to present any significant question, to act upon the application on behalf of the Board.

The matter was referred to Governor Robertson with power to act.

Secretary's Note: Governor Robertson approved the application on behalf of the Board later in the day. A copy of the letter sent to the applicant is attached as Item No. 5.

Underwriting of revenue bonds. A suit had been filed in the United States District Court for the District of Columbia by a group of investment banking firms seeking a declaratory judgment with respect to the ruling of the Comptroller of the Currency that held, in effect, that national banks were permitted under the law to underwrite various kinds

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of revenue bonds (in contrast with the Board's long-standing position that the terms of the law prohibited member banks from underwriting municipal securities other than general obligations). At today's meeting Mr. Hackley reported that the judge conducting the hearing, having learned that the Federal Reserve was not represented, asked that the Board be invited, through its counsel, to submit its views in the form of a brief by December 8. The hearing had been recessed until that date. Because of the time that would be required to prepare such a brief, it was necessary for the Legal Division to ascertain whether it was agreeable to the Board to respond affirmatively to the invitation. The statement to be prepared, Mr. Hackley emphasized, would reflect only the Board's views as stated publicly in the past and would carry no implication of the position the Board might take with respect to the policy question, expected to be considered in the relatively near future, as to whether or not to recommend legislation that would specifically permit underwriting of revenue bonds by commercial banks.

After discussion, a consensus developed that it would be inadvisable as a matter of public policy to resist an invitation from the court to submit a brief on a matter of this kind. It was noted that the timing of the invitation presented an interesting question because, upon reconsideration of the policy question whether commercial banks should be permitted to underwrite revenue bonds, the Board might reach a position different from that taken by the Board in the past. The point was

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made, however, that the two issues were separable and that a brief such as had been invited would be prepared solely on the basis of the views heretofore stated publicly by the Board without in any sense committing the present Board to a position for or against extending to commercial banks the privilege of underwriting revenue bonds.

At the conclusion of the discussion it was understood that the requested brief would be prepared and presented to the court by Board counsel, but on a basis that would avoid committing the Board to any policy position in the future.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Dallas (copy attached as Item No. 6) approving the appointment of John E. Bennett, Jr., as assistant examiner.

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

Salary increases, effective November 20, 1966

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Murray Altmann, Senior Economist		\$18,157	\$18,764
Normand R. V. Bernard, Economist		14,665	15,113
<u>Examinations</u>			
E. A. Dittrich, Senior Federal Reserve Examiner		13,769	14,217
Sandra Ann Greene, Assistant Review Examiner		9,851	10,166

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Salary increases, effective November 20, 1966 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Personnel Administration</u>			
Juliann Perkins, Maid		\$4,219	\$4,341
<u>Administrative Services</u>			
Helen L. Hulen, Chief, Publications Services		9,523	9,784
William L. McCoy, Guard		4,413	4,557
Walter L. Worthy, Jr., Mail Clerk		4,191	4,324
<u>Office of the Controller</u>			
Robert S. McClellan, Analyst		9,221	9,536
<u>Data Processing</u>			
John A. Devera, Production Control Clerk (change in title from Control Clerk)		4,936	5,331
Louise Lewis Hiller, Data Control Assistant (change in title from Control Clerk)		6,387	6,857

Transfers

Gloria J. Ogden, from the position of Secretary in the Office of the Secretary to the position of Secretary in the Division of Research and Statistics, with an increase in basic annual salary from \$6,065 to \$6,664, effective upon assuming her new duties.

Virginia Ann Callahan, Secretary, Legal Division, from budget position No. 20 to budget position No. 19, with no change in basic annual salary at the rate of \$6,263, effective December 31, 1966.

Stephana P. Smith, from the position of Statistical Assistant in the Division of Research and Statistics to the position of Statistical Assistant in the Division of International Finance, with an increase in basic annual salary from \$5,859 to \$6,263, effective November 28, 1966.

Mary Deese, Statistical Clerk, Division of Research and Statistics, from budget position No. 10 to budget position No. 11 in the Government Finance Section, with no change in basic annual salary at the rate of \$4,776, effective upon assuming her new duties.

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Change in title

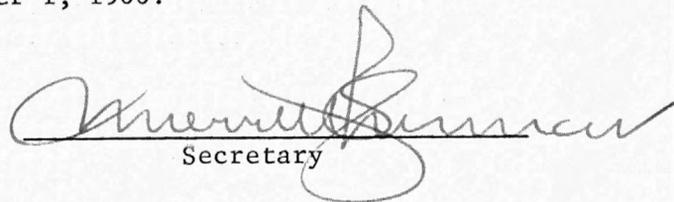
Genevieve G. Duarte, from Statistical Assistant to Data Control Assistant, Division of Data Processing, with no change in basic annual salary at the rate of \$6,563, effective November 20, 1966.

Acceptance of resignation

Kenneth Taylor, Messenger, Division of Administrative Services, effective the close of business November 18, 1966.

Governor Shepardson also approved today on behalf of the Board a request from Milo O. Peterson, Economist, Division of Research and Statistics, for permission to work for a local store on a part-time basis.

Governor Shepardson today noted on behalf of the Board a memorandum advising that Annie I. Cotten, Secretary, Board Members' Offices, had filed application for retirement, effective December 1, 1966.

  
Secretary

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

Item No. 1  
11/18/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 18, 1966

Board of Directors,  
First State Bank of Idabel,  
Idabel, Oklahoma.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by First State Bank of Idabel, Idabel, Oklahoma, of a branch in the vicinity of the intersection of North Central Avenue and E. Jefferson Street, Idabel, Oklahoma, provided the branch is established within one year from the date of this letter.

The Board notes your bank's capital position is less than satisfactory and urges all means to improve this condition be carefully considered.

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  
11/18/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 18, 1966

Board of Directors,  
Evanston Trust and Savings Bank,  
Evanston, Illinois.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors President Weaver's letter dated November 7, 1966, together with the accompanying resolution dated November 7, 1966, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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  
11/18/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 18, 1966.

The Chase Manhattan Bank  
(National Association),  
1 Chase Manhattan Plaza,  
New York, New York. 10015

Gentlemen:

As requested in your letter of October 28, 1966,  
the Board of Governors extends to June 1, 1967, the time within  
which your bank may establish the branch in Seoul, Republic of  
Korea, authorized in the Board's letter of December 17, 1965.

Please inform the Board of Governors, through the  
Federal Reserve Bank of New York, when the branch is opened for  
business, furnishing information as to the exact location of  
the branch.

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. 4  
11/18/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 18, 1966.

Mr. John K. Carlock,  
Fiscal Assistant Secretary,  
Department of the Treasury,  
Washington, D. C. 20220.

Dear Mr. Carlock:

This is in reply to your letter of October 25, 1966, asking for the Board's views on starting local verification and destruction of unfit \$5 and \$10 Federal Reserve notes, with a percentage verification at or near the limits imposed by the regulations of the Secretary of the Treasury.

The Board is agreeable to a percentage verification at or near the limits imposed by the regulations of the Secretary of the Treasury, as you suggest. Your letter was also circulated to the Reserve Banks for their comments. Eleven Banks indicated they would not object to the basis for verification suggested, while the remaining Bank favored a 100 per cent verification.

All the Reserve Banks but one indicated they would be in a position to start the suggested procedures by the first of December. The remaining Bank reported that it would be unable to take on any extra work before the first of the year, but this presupposed elimination of its backlog of undestroyed notes. Accordingly, there would be no objection to your proceeding with issuance of appropriate instructions to the Reserve Banks to begin local destruction of \$5 and \$10 Federal Reserve notes.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5  
11/18/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 18, 1966.

Mr. Hoyt Ammidon, Chairman of the Board,  
United States Trust Company of New York,  
45 Wall Street,  
New York, New York. 10005

Dear Mr. Ammidon:

The Board of Governors has approved the Articles of Association and Organization Certificate dated October 27, 1966, of United States Trust Company International Corporation, New York, New York, and there is enclosed a preliminary permit authorizing that Corporation to exercise such of the powers conferred by Section 25(a) of the Federal Reserve Act as are incidental and preliminary to its organization.

Except as provided in Section 211.3(a) of Regulation K, the Corporation may not exercise any of the other powers conferred by Section 25(a) until it has received a final permit from the Board authorizing it generally to commence business. Before the Board will issue its final permit to commence business, the president, treasurer, or secretary, together with at least three of the directors, must certify (1) that each director is a citizen of the United States; (2) that a majority of the shares of capital stock is held and owned by citizens of the United States, by corporations the controlling interest in which is owned by citizens of the United States, chartered under the laws of the United States or of a State of the United States, or by firms or companies the controlling interest in which is owned by citizens of the United States; and (3) that of the authorized capital stock specified in the Articles of Association at least 25 per cent has been paid in in cash and that each shareholder has individually paid in in cash at least 25 per cent of his stock subscription. Thereafter the treasurer or secretary shall certify to the payment of the remaining instalments as and when each is paid in, in accordance with law.

Mr. Hoyt Ammidon

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It is the understanding of the Board that the initial investment of the Corporation will be to purchase and hold all the shares of United States Trust International Advisory Company, to be organized under the laws of Luxembourg at a cost of U.S. \$100,000. It is further understood that the Company will render investment advice to a foreign-based mutual fund and that this fund will not engage in business in the United States, nor will it sell its shares in the United States.

On the basis of this and the other information contained in your letter of October 27, 1966, the Board is prepared to grant consent to the investment and such consent will be granted on the Board's issuance to the Corporation of its final permit to commence business.

As you are aware, the United States Trust Company International Corporation will have no separate base under the voluntary foreign credit restraint effort and any foreign loans or investments will need to be made under the ceiling of United States Trust Company of New York. Accordingly, the foregoing approval is given with the understanding that any foreign loans and investments of the Corporation, combined with those of United States Trust Company of New York, 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 will be given to the priorities contained therein.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

4303

November 18, 1966

Preliminary Permit

IT IS HEREBY CERTIFIED that the Board of Governors of the Federal Reserve System, pursuant to authority vested in it by Section 25(a) of the Federal Reserve Act, as amended, has this day approved the Articles of Association dated October 27, 1966, and the Organization Certificate dated October 27, 1966, of UNITED STATES TRUST COMPANY INTERNATIONAL CORPORATION duly filed with said Board of Governors, and that UNITED STATES TRUST COMPANY INTERNATIONAL CORPORATION is authorized to exercise such of the powers conferred upon it by said Section 25(a) as are incidental and preliminary to its organization pending the issuance by the Board of Governors of the Federal Reserve System of a final Permit generally to commence business in accordance with the provisions of said Section 25(a) and the rules and regulations of the Board of Governors of the Federal Reserve System issued pursuant thereto.

BOARD OF GOVERNORS OF THE  
FEDERAL RESERVE SYSTEM

By (Signed) Merritt Sherman

Merritt Sherman  
Secretary

(SEAL)

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

Item No. 6  
11/18/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 18, 1966

Mr. Thomas R. Sullivan, Vice President,  
Federal Reserve Bank of Dallas,  
Dallas, Texas. 75222

Dear Mr. Sullivan:

In accordance with the request contained in your letter of November 15, 1966, the Board approves the appointment of John E. Bennett, Jr., as an assistant examiner for the Federal Reserve Bank of Dallas effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.