


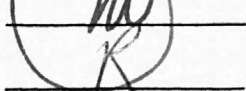
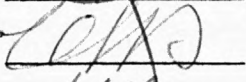
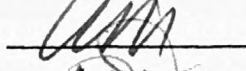
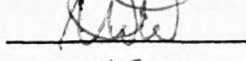
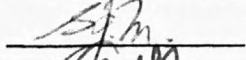
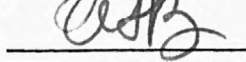
Minutes for November 23, 1966

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, November 23, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Molony, Assistant to the Board
 Mr. Fauver, Assistant to the Board
 Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Associate General Counsel
 Messrs. O'Connell, Shay, and Hooff, Assistant General Counsel
 Mr. Smith, Associate Adviser, Division of Research and Statistics
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mrs. Semia, Technical Assistant, Office of the Secretary
 Mr. Morgan, Staff Assistant, Board Members' Offices
 Messrs. Forrestal, Sanders, and Via, Senior Attorneys, Legal Division
 Mr. Grimwood, Assistant to the Director, Division of International Finance
 Messrs. Egertson, Maguire, and Poundstone, and Miss McShane of the Division of Examinations

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

Item No.

1

Letter to The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, approving the establishment of an in-town branch.

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	<u>Item No.</u>
Letter to Community Bank and Trust Company, Paoli, Pennsylvania, approving the establish- ment of a branch in Goshenville.	2
Letter to Chase Manhattan Overseas Banking Corporation, New York, New York, granting con- sent to purchase shares of Banco Atlantida, Tegucigalpa, Honduras.	3

Messrs. Grimwood and Poundstone then withdrew from the meeting.

Application of St. Joseph Valley Bank. There had been distrib-
uted a memorandum dated November 21, 1966, from the Legal Division
submitting for the Board's consideration drafts of an order and state-
ment regarding the approval by the Board (on October 17, 1966) of the
application of St. Joseph Valley Bank, Elkhart, Indiana, to merge with
First Old State Bank, also of Elkhart. Also attached to the memorandum
were dissenting statements by Governors Robertson and Brimmer. Because
the proposed merger would clearly have anticompetitive effects, the
memorandum reviewed the grounds upon which approval of a merger applica-
tion could be supported under the statute in such circumstances and
described reasons why certain language had been included in the majority
statement.

During discussion various suggestions were made looking toward
a more accurate reflection in the statement of evidence that members of
the majority had found persuasive. Governor Brimmer observed that
because of the shift of emphasis that would result from the changes sug-
gested in the majority statement, he would probably wish to reword parts
of his dissenting statement.

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At the conclusion of the discussion it was understood that a revised majority statement would be prepared for the Board's consideration on the basis of the comments and suggestions that had been made, and that the dissenting members also would have an opportunity to adjust their statements.

Messrs. O'Connell, Shay, Smith, Via, Egertson, and Maguire, and Miss McShane then withdrew from the meeting.

Definition of time and savings deposits. In September 1966 the Board published for comment proposed amendments to its Regulation D, Reserves of Member Banks, and Regulation Q, Payment of Interest on Deposits, designed to sharpen the technical distinctions between time deposits and savings deposits. In brief, the proposed amendments would provide that (1) deposits payable on a specified date or at the expiration of a specified period of time after the date of deposit would be expressly excluded from savings deposits; and (2) deposits as to which 30 days' notice of withdrawal is required by the deposit contract would be excluded from savings deposits. (However, a bank's reserved right to require such notice would not cause a savings deposit to cease to be such.)

There had now been distributed a memorandum dated November 16, 1966, from the Legal Division summarizing the comments received, analyzing the suggested modifications of the proposal, and recommending adoption by the Board of the proposed amendments modified to change the

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classification of Christmas and vacation club accounts from time deposits to savings deposits.

The principal substantive comments had been of two kinds -- objections to the proposed amendments on the ground that they would shift to the time deposit category, subject to a reserve requirement of 6 per cent, certain deposits now classified as savings deposits, subject to a reserve requirement of 4 per cent; and suggestions that Christmas and vacation club accounts be classified as savings deposits rather than time deposits.

The objections on the ground that the proposed amendments would result in higher reserve requirements arose because at present deposits of individuals and of certain nonprofit organizations as to which the depositor was required by the deposit contract to give notice in writing not less than 30 days before making a withdrawal fell within the definitions of both savings deposit and time deposit. The amendments would require that the deposits be classified as time deposits if the deposit contract required that the depositor give written notice at least 30 days before any withdrawal; if a bank merely reserved the right to require 30 days' notice, or if it required notice of less than 30 days, the deposit would be a savings deposit. The memorandum discussed various facets of the reserve requirement problem, including the line drawn at 30 days' notice, and stated the Legal Division's conclusion that the merits of the proposed amendments substantially outweighed any impact

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on reserve requirements. Moreover, there would be no policy objection to modification by a bank of its deposit contracts so they would constitute savings deposits.

The memorandum recalled that a recommendation that Christmas and vacation club accounts be classified as savings rather than time deposits had been the original impetus that led to publication of the proposed amendments. However, that provision had been omitted from the published proposals because the Federal Deposit Insurance Corporation was not willing to propose a similar amendment to its interest rate regulation. It was understood to be the Corporation's attitude that, since the reclassification would have the effect of reducing the maximum permissible interest rate payable on such accounts, an adverse public reaction might result, especially with Christmas approaching. The Legal Division believed it was unlikely that the public would react adversely and pointed out that such a reclassification would be substantially helpful to a number of member banks. The Division also pointed out that such funds, representing gradual accumulations for anticipated expenditures, constituted the clearest sort of savings deposit; they were exceptionally stable; and there was no reason why reserves against them should be any higher than on passbook savings which, in practice, were payable on demand. The Division believed every effort should be made to persuade the Federal Deposit Insurance Corporation to make a corresponding change in its interest rate regulation, but recommended that the Board adopt such an amendment in any event.

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Attached to the memorandum were draft amendments for publication in the Federal Register that would carry out the Legal Division's recommendations.

Discussion brought out that Board reaction to the proposed amendments was generally favorable. However, there was agreement with a suggestion by Governor Robertson that, as a next step, the proposed amendments be taken up with the Coordinating Committee on Bank Regulation prior to Board action.

Messrs. Solomon, Hexter, Hooff, Leavitt, Forrestal, and Sanders then withdrew from the meeting.

Director appointments. It was agreed to ascertain through the Chairmen of the appropriate Federal Reserve Banks whether the following persons would accept appointment if tendered as Reserve Bank or branch directors for the terms indicated, with the understanding that if it were found that they would accept, the appointments would be made:

Howard Johnson, President, Massachusetts Institute of Technology, Cambridge, Massachusetts, as a Class C director of the Federal Reserve Bank of Boston for the three-year term beginning January 1, 1967.

D. R. Cawthorne, Dean of the School of Business Administration, Miami University, Oxford, Ohio, as a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for the three-year term beginning January 1, 1967.

Graham E. Marx, President and General Manager, G. A. Gray Company, Cincinnati, Ohio, to succeed R. Stanley Laing as a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for the unexpired portion of the term ending December 31, 1968.

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Henry King Stanford, President, University of Miami, Coral Gables, Florida, as a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for the three-year term beginning January 1, 1967.

Jacob Hartz, Jr., President, Hartz Seed Company, Inc., Stuttgart, Arkansas, as a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for the three-year term beginning January 1, 1967.

William L. Giles, President, Mississippi State University, State College, Mississippi, as a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for the three-year term beginning January 1, 1967.

W. A. Belcher, Rancher-Veterinarian, Brackettville, Texas, as a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for the three-year term beginning January 1, 1967.

S. Alfred Halgren, Vice President, Carnation Company, Los Angeles, California, as a Class C director of the Federal Reserve Bank of San Francisco for the three-year term beginning January 1, 1967.

John Leland Atwood, President, North American Aviation, Inc., El Segundo, California, as a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for the two-year term beginning January 1, 1967.

Secretary's Note: It having been ascertained that acceptances would be forthcoming, appointment telegrams were sent to Messrs. Cawthorne, Marx, Stanford, Hartz, and Giles on November 25, to Messrs. Belcher and Atwood on November 29, to Mr. Halgren on November 30, and to Mr. Johnson on December 2, 1966.

Appointment of Deputy Chairmen. The Board appointed Charles W. Cole, Amherst, Massachusetts, as Deputy Chairman of the Federal Reserve Bank of Boston for the year 1967, and S. Alfred Halgren, Vice President,

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Carnation Company, Los Angeles, California, as Deputy Chairman of the Federal Reserve Bank of San Francisco for the year 1967.

Technical assistance for Uganda. Governor Shepardson indicated that the International Monetary Fund had requested assistance by the Federal Reserve in finding a person with experience in bank examinations to handle bank supervisory work for the Bank of Uganda on a one-year contract, with possible renewal, salary to be paid by the Fund.

After discussion, it was agreed that the staff would search for qualified persons whom the Board might wish to suggest to the Fund for the assignment.

Outside business activity. Governor Shepardson stated that a request had been received from a member of the Board's staff for permission to act as agent for sale of the shares of a mutual investment fund.

There was unanimous agreement that the activity described would not be appropriate for a member of the Board's staff.

Carry-over of annual leave. Governor Shepardson referred to the problem experienced in cases where employees, because of pressure of the Board's work, were unable to use all of their current year's leave within the calendar year. The Personnel Division was considering submission of a proposal to the effect that in cases where a reasonable effort had been made to use current leave within the year, leave an employee had not been able to take by December 31 could be used during the first three months of the ensuing year. Governor Shepardson inquired

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whether the Board would be inclined to favor such a proposal if submitted by the Personnel Division.

The reaction was favorable, and the matter was referred to Governor Shepardson with power to act.

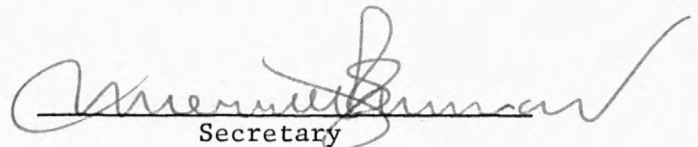
The meeting then adjourned.

Secretary's Note: On November 22, 1966, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (copy attached as Item No. 4) approving the designation of I. Robert Hurr and Ronald Asche as special assistant examiners.

Letter to the Federal Reserve Bank of San Francisco (copy attached as Item No. 5) approving the appointment of Donald R. Vinnedge as assistant examiner.

Memorandum from the Office of the Controller dated November 22, 1966, submitting a request of the Division of Administrative Services for authorization to establish two messenger-driver positions and one messenger position to service the rented office space in Rosslyn, Virginia.


Secretary

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

Item No. 1
11/23/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 23, 1966.

Board of Directors,
The First Pennsylvania Banking
and Trust Company,
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The First Pennsylvania Banking and Trust Company, Philadelphia, Pennsylvania, of a branch at the intersection of Bustleton Avenue and Verree Road, Philadelphia, Pennsylvania, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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
11/23/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 23, 1966.

Board of Directors,
Community Bank and Trust Company,
Paoli, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Community Bank and Trust Company, Paoli, Pennsylvania, of a branch on the north side of U.S. Route 202, near its intersection with State Route 352, Goshenville, East Goshen Township, Chester County, Pennsylvania, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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

Item No. 3
11/23/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 23, 1966.



Chase Manhattan Overseas
Banking Corporation,
1 Chase Manhattan Plaza,
New York, New York. 10005

Gentlemen:

As requested in your letter of October 5, 1966, the Board of Governors grants consent for Chase Manhattan Overseas Banking Corporation ("CMOBC") to purchase and hold, directly or indirectly, approximately 51 per cent of the voting shares of Banco Atlantida ("Banco"), Tegucigalpa, Honduras, at a cost of approximately US\$4,590,000, provided such shares are acquired within one year from the date of this letter.

The Board's consent to the proposed purchase and holding of shares of Banco by CMOBC is granted subject to the following conditions:

- (1) That CMOBC shall not hold, directly or indirectly, any shares of stock in Banco if Banco at any time fails to restrict its activities to those permissible to a corporation in which a corporation organized under Section 25(a) of the Federal Reserve Act could, with the consent of the Board of Governors, purchase and hold stock, or if Banco establishes any branch or agency or takes any action or undertakes any operation in Honduras or elsewhere, in any manner, which at the time would not be permissible to CMOBC;
- (2) That, when required by the Board of Governors, CMOBC will cause Banco (a) to permit examiners selected or auditors approved by the Board of Governors to examine Banco and (b) to furnish the Board of Governors with such reports as it may require from time to time;

- (3) That CMOBC shall not carry on its books the shares acquired of Banco at a net amount in excess of its proportionate share of the book capital accounts of Banco, after giving effect to the elimination of all known losses; and
- (4) That any share acquisitions or dispositions by Banco be reported under Section 211.8(d) of Regulation K in the same manner as if Banco were a corporation organized under Section 25(a) of the Federal Reserve Act.

Upon completion of the proposed transaction, it is requested that the Board of Governors be furnished a translation of the amended Articles of Association and By-Laws of Banco. If CMOBC acquires the stock of Banco through an intermediary corporation, please furnish pertinent details regarding the corporation, including copies of the Articles of Association and By-Laws and a list of officers and directors.

Subject to continuing observation and review, the Board suspends, until further notice, the provisions of subparagraph (1) of the second paragraph of this letter so far as they relate to restrictions on loans granted by Banco in Honduras in the currency of that country.

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 Chase Manhattan Bank (National Association), and Chase International Investment Corporation 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) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 4
11/23/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 23, 1966

Mr. Harry W. Huning, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of November 17, 1966, the Board approves the designations of I. Robert Hurr and Ronald Asche as special assistant examiners for the Federal Reserve Bank of Cleveland.

Appropriate notation has been made of the name to be deleted from the list of special assistant examiners.

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. 5
11/23/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 23, 1966

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

Dear Mr. Jennings:

In accordance with the request contained in your letter of November 18, 1966, the Board approves the appointment of Donald R. Vinnedge as an assistant examiner for the Federal Reserve Bank of San Francisco, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.