

Minutes for December 8, 1966

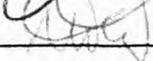
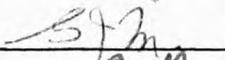
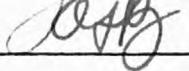
To: Members of the Board

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 Thursday, December 8, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Shepardson
Mr. Mitchell
Mr. Maisel

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Holland, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Partee, Associate Director, Division of Research and Statistics
Mr. Sammons, Associate Director, Division of International Finance
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Dahl, Assistant Director, Division of Examinations
Mr. Staiger, Assistant Director, Division of Data Processing
Miss Wolcott, Technical Assistant, Office of the Secretary
Mr. Forrestal, Senior Attorney, Legal Division
Mr. Poundstone, Review Examiner, Division of Examinations
Mr. Veenstra, Chief, Financial Statistics Section, Division of Data Processing

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.

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	<u>Item No.</u>
Letter to The Fifth Third Union Trust Company, Cincinnati, Ohio, granting an extension of time to establish a branch in Blue Ash.	1
Letter to Bankers International Corporation, New York, New York, granting consent to Bankers International (Luxembourg) S. A. to purchase shares of Deutsche Unionbank, Frankfurt, Germany.	2
Letter to International Bank of Detroit, Detroit, Michigan, approving an amendment to its articles of association.	3
Letter to Wells Fargo Bank International Corporation, San Francisco, California, approving an amendment to its articles of association.	4

Exchange of information (Items 5 and 6). There had been distributed a memorandum dated December 7, 1966, from the Division of Examinations referring to a suggestion by the Acting Comptroller of the Currency, as expressed in his letter to Chairman Martin of December 5, for exchange of information among the three Federal bank supervisory agencies relating to indebtedness of executive officers and significant loans secured by stock of insured banks. Significant loans were defined as all loans where 5 per cent of the outstanding shares of an insured bank were held as collateral and also when less than 5 per cent was held but in the opinion of the examiner the loan was significant. The original suggestion, discussed at a meeting of staff representatives of the three agencies on November 28, had been that each agency be notified only of borrowings and loans relating to

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banks under its supervision. At that meeting, however, Deputy Comptroller Watson agreed with the suggestion of the Federal Deposit Insurance Corporation's representative that a complete exchange of information among all three agencies would be advantageous. Attached to the memorandum were letters to the Acting Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation that would indicate Board agreement with the proposal as revised and inform them that the Reserve Banks were being instructed to proceed accordingly.

During discussion, Governor Shepardson made several suggestions for changes in the draft letters to establish a more orderly succession of procedural steps. There being general agreement with those suggestions, it was understood that the letters would be rewritten accordingly and, after review by Governor Robertson, that they would then be sent to the Acting Comptroller and to the Chairman of the Corporation. Attached as Items 5 and 6 are copies of the letters subsequently transmitted to Acting Comptroller Camp and Chairman Randall.

Survey of credit extended to real estate mortgage lenders.

There had been distributed a memorandum from the Divisions of Research and Statistics and Data Processing dated December 7, 1966, referring to a proposed special survey of credit extended to real estate mortgage lenders by commercial banks. Chairman Patman of the Joint Economic Committee had requested by letter dated September 22, 1966, that data be collected by the three Federal bank supervisory agencies to provide

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information not available elsewhere for analysis of the use of such bank credit. Attached to the memorandum were a form proposed for use in conjunction with the forthcoming year-end condition report call and a supporting statement for submission to the Bureau of the Budget.

After discussion, unanimous approval was given to conducting the survey in cooperation with the other Federal bank supervisory agencies, with the understanding that appropriate steps would be taken to obtain clearance of the form from the Bureau of the Budget. It was understood that the question whether the survey would be taken on a continuing basis was not now at issue and that that question would be considered at a later date if circumstances required.

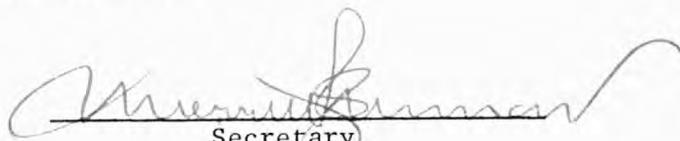
The meeting then adjourned.

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

Letter to the Federal Reserve Bank of New York (copy attached as Item No. 7) approving the appointment of James M. Bither as assistant examiner.

Letter to Mr. George L. Stevens, East Riverdale, Maryland, confirming arrangements for him to conduct a 24-hour course in reading improvement for members of the Board's staff as an activity of the Board's Employee Training and Development Program, a fee of \$45 to be paid for each participant in the course.

Letters to Mr. Alain Chanlat, Washington, D. C., and Mrs. Helene Prono, Arlington, Virginia, confirming arrangements for them to give instruction in conversational French to members of the Board's staff as an activity of the Board's Employee Training and Development Program, a fee of \$6 to be paid for each session conducted.


Secretary

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

Item No. 1
12/8/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1966

Board of Directors,
The Fifth Third Union Trust Company,
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to December 28, 1967, the time within which The Fifth Third Union Trust Company, Cincinnati, Ohio, may establish a branch at 4775 Glendale-Milford Road, Blue Ash, Ohio.

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. 2
12/8/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1966.

Bankers International Corporation,
16 Wall Street,
New York, New York. 10015

Gentlemen:

As requested in your letter of October 21, 1966, the Board of Governors grants consent to Bankers International (Luxembourg) S.A., ("BILSA"), to purchase and hold approximately 33,600 shares of Deutsche Unionbank ("Unionbank"), Frankfurt, Germany, at a cost of approximately US\$2,400,000, provided such shares are acquired within one year from the date of this letter. In this connection, the Board also approves the purchase and holding of shares of Unionbank within the terms of the above consent in excess of 15 per cent of your Corporation's capital and surplus.

It is understood that, in addition to the above investment, BILSA will make a 20 million Deutsche Marks (US\$5,000,000 equivalent) four-year facility available to Unionbank. As requested in your letter and subject to continuing observation and review, the Board suspends, until further notice, the provisions of Section 211.9(b) of Regulation K, to the extent that total liabilities of Unionbank to BILSA will exceed 50 per cent of your Corporation's capital and surplus.

It is noted that the above investment will be financed with part of the proceeds of BILSA's \$20,000,000 European bond issue and that no additional funds are required from Bankers International Corporation.

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. 3
12/8/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1966.

International Bank of Detroit,
611 Woodward Avenue,
Detroit, Michigan.

Gentlemen:

Reference is made to your letter dated November 14, 1966, enclosing a certified copy of a resolution of shareholders amending Article SEVENTH of the Articles of Association of your Corporation to increase the capital stock to \$12,800,000 consisting of 128,000 shares of the par value of \$100 each.

The Board of Governors approves the amendment to Article SEVENTH. Please advise the Board when the capital increase has been effected.

It is understood that the National Bank of Detroit will purchase the additional 108,000 shares at a cost of \$125 each, consisting of \$10,800,000 to capital and \$2,700,000 to surplus.

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. 4
12/8/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

December 8, 1966.

Wells Fargo Bank International Corporation,
464 California Street,
San Francisco, California. 94120

Gentlemen:

Reference is made to a letter dated November 14, 1966, from counsel of your Corporation enclosing a Consent signed under date of November 10, 1966, on behalf of Wells Fargo Bank, sole shareholder of your Corporation, consenting to the amendment of the Articles of Association of Wells Fargo Bank International Corporation to increase the capital stock to \$12,000,000 consisting of 120,000 shares of the par value of \$100 each.

The Board of Governors approves the amendment to Article SEVENTH. Please advise the Board when the capital increase has been effected.

It is noted that your present capital structure will be increased by a sale of 40,000 additional shares to Wells Fargo Bank for \$6,000,000, of which \$2,000,000 will be shown as capital surplus.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 5
12/8/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

OFFICE OF THE CHAIRMAN

December 13, 1966

The Honorable William B. Camp,
Acting Comptroller of the Currency,
Treasury Department,
Washington, D. C.

Dear Bill:

In your letter of December 5, 1966, you suggest an exchange of information between your organization, the Federal Deposit Insurance Corporation, and the Federal Reserve System about indebtedness of executive officers and also "significant loans" secured by stock of insured banks. The Board agrees with you that such an exchange of information would be desirable and also that staffs of the three agencies should work out suitable arrangements for implementing the same. When these arrangements are completed, the Reserve Banks will be requested to send information about such loans to the appropriate Regional Administrator or Supervising Examiner.

A copy of this letter is being sent to Kay Randall so that he may know that the Board is prepared to participate in the program.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

Item No. 6
12/8/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON



OFFICE OF THE CHAIRMAN

December 13, 1966

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

Dear Kay:

In a letter of December 5, 1966, Acting Comptroller of the Currency Camp suggested that information with respect to indebtedness of executive officers and also "significant loans" secured by stock of insured banks be exchanged. The Board understands that you concur in Mr. Camp's suggestion.

As indicated in the enclosed copy of a letter to Mr. Camp, the Board agrees that the inauguration of such a program would be productive and has instructed its staff to work with the staffs of the Federal Deposit Insurance Corporation and the Comptroller of the Currency in developing arrangements for its implementation. When these arrangements are completed, the Reserve Banks will be instructed to provide information with respect to such loans to the appropriate Regional Administrator or Supervising Examiner.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

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

Item No. 7
12/8/66



**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

December 8, 1966

Mr. Fred W. Piderit, Jr., Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Piderit:

In accordance with the request contained in your letter of December 5, 1966, the Board approves the appointment of James M. Bither as an assistant examiner for the Federal Reserve Bank of New York. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Kenneth A. Kenyon

**Kenneth A. Kenyon,
Assistant Secretary.**