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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 4 Amendment to Regulation Q, Payment of Interest on Deposits.

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
Gov. Mills
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. King
Gov. Mitchell
Minutes of the Board of Governors of the Federal Reserve System on Wednesday, October 10, 1962. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Shepardson

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Noyes, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Hooff, Assistant General Counsel
Mr. Holland, Adviser, Division of Research and Statistics
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Masters, Associate Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Young, Senior Attorney, Legal Division
Mr. Langham, Chief, Call Report Section, Division of Bank Operations
Mr. Mattras, General Assistant, Office of the Secretary

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective numbers indicated, were approved unanimously:
Letter to the Secretary, Retirement System of the Federal Reserve Banks, approving (1) an amendment to the Rules and Regulations of the Retirement System, and (2) the fixing of the regular interest rate at its present figure.

Letter to the Bureau of the Budget reporting on enrolled bill H. R. 8874, "To authorize certain banks to invest in corporations whose purpose is to provide clerical service for them, and for other purposes."

Messrs. Sprecher and Young (Legal Division) then withdrew from the meeting.

Survey of chain banking. There had been distributed memoranda from the Division of Bank Operations dated September 24 and October 8, 1962, which sought the Board's advice with respect to meeting additional specifications presented in connection with the study of chain banking being conducted at the request of Congressman Patman, Chairman of the House Select Committee on Small Business. It was noted that the specifications received from the staff of the Committee related only to the 200 largest banks, but that the same specifications might be requested for other banks after the first phase of the study was completed. The Committee staff had indicated that it would like to have the first portion of the study completed by November 15, 1962. The October 8 memorandum pointed out that the additional specifications involved the tabulation of stockholders by a classification code not previously used and that this would increase the cost of the study.
It was also indicated that a determined effort to complete the first phase of the project by November 15 might tie up the Board's computer in such manner as to preclude the performance of work on other projects important to the Board; in addition, considerable staff overtime would be involved.

After discussion, it was agreed that a letter should be prepared advising Congressman Patman of the current status of the study, the time and expense required thus far, and the time and expense anticipated to complete the study. The letter would also suggest limiting Board activity to the 200 largest banks. It would indicate that the report would be prepared as rapidly as possible, but without a definite commitment as to any set date. It was understood that the letter, drafted along the above lines, would be submitted to the Board for consideration.

Mr. Sherman then advised the Board of the contents of a letter sent by Congressman Patman, as Chairman of the House Select Committee on Small Business, to a member bank that was listed as not having supplied the information requested in the survey on chain banking. Congressman Patman's letter, dated October 6, 1962, indicated that the information requested would be subpoenaed if not provided voluntarily. Presumably, similar letters had been sent to other member banks that appeared on the list of banks that had not supplied the information requested in the survey, or had not supplied it without restriction on its use. Mr. Sherman noted that the member bank concerned was one of a number of banks that had responded to the survey.
basis. There had already been indications that some banks that had supplied the requested information on a confidential basis did not understand why they received Congressman Patman's letter, and explanatory correspondence would be necessary.

Amendment to Regulation Q (Items 3 and 4). There had been distributed a memorandum from the Legal Division dated October 9, 1962, along with a proposed amendment to Regulation Q, Payment of Interest on Deposits, with respect to the removal for a three-year period of the limitations on rates of interest that member banks may pay on time deposits of foreign governments, monetary and financial authorities of foreign governments when acting as such, or international financial institutions of which the United States is a member. It was noted that the proposed amendment was contingent on the President signing H. R. 12080, which would amend section 19 of the Federal Reserve Act for the above-described purpose. Also submitted was a draft of proposed press release.

Mr. Hackley suggested, to avoid possible misinterpretation, that it might be advisable to indicate in the press release that the amendments to the law and Regulation Q applied only to the interest rate payable on foreign official time deposits, and that such deposits continued to be subject to other requirements of the law and Regulation Q, such as restriction on the payment of time deposits before maturity. Agreement was expressed that such an addition would be appropriate, and permission also was granted for certain other minor changes in the text of the press release in the interest of clarification.
The proposed amendment to Regulation Q was then approved unanimously, effective on the date of enactment into law of H. R. 12080. It was understood that the proposed press release would be issued at such time, its issuance to be coordinated with action by the Federal Deposit Insurance Corporation on an amendment to its regulation governing the rates of interest payable by nonmember insured banks on time and savings deposits.

Secretary's Note: H. R. 12080 was approved by the President on October 15, 1962, as Public Law 87-827. Attached as Item No. 3 is a copy of the press release issued by the Board on October 16, 1962, pursuant to the understanding at this meeting. Attached as Item No. 4 is a copy of the notice published in the Federal Register.

All of the members of the staff except Messrs. Sherman, Kenyon, Noyes, Johnson, and Matras then withdrew from the meeting.

Salary changes at New York Bank (Item No. 5). There had been distributed a draft of letter to the Federal Reserve Bank of New York approving the payment of salaries to five officers at rates fixed by the Bank's Board of Directors.

After a short discussion, the proposed letter was approved unanimously. A copy is attached to these minutes as Item No. 5.

Officer salaries at Federal Reserve Banks. Governor Balderston informed the Board that President Hayes of the Federal Reserve Bank of New York had expressed concern about the implications, from the standpoint of that Bank, of the Board's letter of October 5, 1962, with
regard to the compensation of Reserve Bank officers other than Presidents and First Vice Presidents. In brief, President Hayes pointed out that the maximum of Salary Group A had not been increased for the New York Bank, as it had for the other Reserve Banks. Further, with respect to the guideline limiting the number of salary increases at each Reserve Bank in any year to 40 per cent of the officer staff, exclusive of promotions, President Hayes stated reasons why he considered that the Bank must reserve a substantial number of increases for junior officers, with the result that little opportunity would remain for adjustments for senior officers.

Mr. Johnson advised the Board that President Bryan of the Federal Reserve Bank of Atlanta had pointed out to him that revised officer salary group ranges, for which latitude was provided under the terms of the Board's letter, would leave the salaries of a number of officers of the Atlanta Bank below the minimum of the range for the respective groups. If such salaries were brought to the group minimums and the adjustments were included within the 40 per cent figure, that would restrict increases for other officers.

After discussion, it was agreed that the Board would await receipt of such comments as might be forthcoming from other Reserve Banks before deciding whether there appeared to be justification for any modification of the terms of the October 5 letter.

Mr. Johnson then withdrew from the meeting and Messrs. Hackley and Solomon returned to the room.
Committee on Financial Institutions. There had been distributed a memorandum dated October 8, 1962, from Mr. Noyes with regard to a question that had arisen within the Committee on Financial Institutions, the meetings of which Mr. Noyes was attending as representative of Chairman Martin. The question related to a tentative recommendation of the Committee, as set forth in a draft position paper that also had been distributed to the Board. According to this tentative recommendation, all commercial banks would be required to maintain reserves in an amount specified by the Federal Reserve and in the form of balances at Federal Reserve Banks and/or vault cash. Further, all commercial banks would be given access to Federal Reserve discount facilities on the same basis as member banks. Formal membership in the Federal Reserve System would continue to be voluntary for State-chartered banks. The present geographical system of reserve classification would be replaced by a system of graduated reserve requirements applicable to all commercial banks, with specific requirements within certain prescribed ranges to be a matter for determination by the Federal Reserve Board.

Mr. Noyes' memorandum explained that after extended discussion earlier in the year the Committee on Financial Institutions had agreed tentatively to recommend that all commercial banks be required to maintain reserves with the Federal Reserve in amounts specified by the Federal Reserve, and that the basis on which reserves were levied should be shifted from the present geographical arrangement to a graduated schedule. The only formal dissent was by the Comptroller of the Currency. A
subcommittee endeavored to devise an appropriate schedule of graduated requirements and then reported back to the Committee about a month ago. The recommendations of the subcommittee were adopted and incorporated in the draft of tentative recommendation, which was presented to the Committee on Wednesday, October 3. At that meeting, however, it was reported that the Secretary of the Treasury wished to reserve his position pending further study. Accordingly, it was agreed to defer action on the tentative recommendation.

The advice sought by Mr. Noyes was how strongly to press for adoption of the tentative recommendation. In his memorandum Mr. Noyes pointed out that the Board had in the past expressed itself in favor of the extension of reserve requirements to all commercial banks, or at least to all insured commercial banks. The Board had no publicly known position with regard to the substitution of a graduated scale of reserve requirements for the present geographical system.

Upon distribution of Mr. Noyes' memorandum and the accompanying tentative recommendation, Governor Mills had circulated a memorandum to the other members of the Board expressing his views, which in general were adverse to encouraging adoption of the tentative recommendation. In oral comments supplementing his memorandum, Governor Mills referred to the study that had been made by the Board of the problem of classification of cities for reserve purposes and to the protestations that had succeeded in causing the Board not to put into effect its plan for the reclassification of cities. He objected to giving encouragement to the
formula embodied in the tentative recommendation at the present time and thus committing the Board to its appropriateness. If thoroughly analyzed, he doubted that the formula would be considered appropriate. In his view, the scheme had not been thought through fully. It would provide mandatory reserve requirements for all commercial banks but would not make membership in the Federal Reserve System compulsory. Thus, as he saw it, there would be an incentive for banks to withdraw from the System and remove themselves from System discipline, while retaining access to the discount window.

After Chairman Martin had expressed doubt whether a great deal would be gained from further detailed studies of the reserve requirement problem in view of the studies already made, he suggested that the basic question for consideration at the present time was whether agreement could be reached on any of the fundamental questions pointed up by the report of the Commission on Money and Credit. Governor Mills inquired whether this was not a good argument for maintaining the status quo. He suggested that at a later date, if legislative proposals should be introduced, the Board would be free to support or argue against such proposals.

After further discussion relating to Board procedure in considering the tentative recommendations of the Committee on Financial Institutions, Chairman Martin reiterated his personal support of a system of uniform reserve requirements. He indicated that it seemed clear that Mr. Noyes, at this afternoon's meeting of the Committee, should not
take any position on the reserve requirement proposal, stating simply that the Board was considering the matter.

The discussion then turned to the question of the organization that should be provided within the Federal Government for the supervision of banks, and Governor Mills repeated the position he had expressed at a previous meeting of the Board in favor of maintaining the status quo. He saw in the present division of responsibilities a valuable set of checks and balances that stood to prevent an overwhelming concentration of authority in the Federal Government. As a second choice, he would support the position expressed by Governor Mitchell at a recent Board meeting in favor of concentration of responsibility in the Federal Reserve, where Governor Mills felt that the responsibility would be administered impartially and in the public interest.

There followed comments by Governor Shepardson in which he alluded to the administrative weaknesses in a system in which a supervisory responsibility was divided among several agencies of the Federal Government. It seemed to him that these weaknesses were inherent in the field of bank supervision as well as any other regulatory field. The question that he raised was whether the Board would not be better advised to take a position while discussion of the subject was in a formulative stage rather than to remain silent until some legislative proposal had gathered considerable support and the Board was called upon to speak concerning it. While he recognized the difficulty involved in trying to determine what the Board's position should be, he suggested
that this difficulty probably would also exist at a later stage. Governor Shepardson then spoke in support of the position recently expressed by Governor Mitchell that there were sound reasons why the responsibility for bank supervision should be concentrated in the Federal Reserve. He recognized the argument about the additional burden that would be placed on the Board but suggested that much could be done to alleviate that burden by delegations of responsibility for numerous supervisory functions. Under such a procedure, the Board might restrict itself generally to establishing policies and acting as an appeal body.

Governor Balderston expressed doubt as to the likelihood of enactment of legislation in the near-run future. Instead, he thought of the report of the Committee on Financial Institutions as providing a basis for discussion over a period of years before legislation was enacted. As to the Board's position, he suggested that the Board confine itself to principles, to the extent possible, and refrain from recommendations couched in specific terms. At the same time, he felt that the Board might take a position with respect to the problem of reserve requirements and access to the discount window; one possibility would be to express general agreement with the recommendations of the Commission on Money and Credit. If all banks were required to maintain reserve requirements, he believed that access to the discount window was probably an inevitable quid pro quo. As to the question of responsibility for the bank supervisory function, Governor Balderston indicated that he found himself rather perplexed. Basically, he thought that concentration
of the responsibility was probably indicated because of the administrative inconsistencies that otherwise were involved. He anticipated that a unification of the responsibility probably would take place in time, and he could agree with that, provided the States retained the power of granting charters to State banks and approving branches. When it came to the more specific question as to where the responsibility should be lodged, he found himself uncertain, but he was anxious to have the Federal Reserve take a position that would stand up under analysis and discussion over a period of years. It occurred to him that the Board might say simply that it recommended a unification of the Federal bank supervisory responsibility and leave it to the Congress to debate and decide what particular agency should perform the function. On the other hand, he could support in principle the position of the Commission on Money and Credit. To the extent feasible, he saw some virtue in the Board's attaching its position to some well-known report.

Governor Mills commented that, as he understood it, the Commission on Money and Credit had recommended vesting bank supervisory authority in the Federal Reserve and had recommended striking for uniform reserve requirements if and when a proper formula could be devised, with compulsory membership in the Federal Reserve System. Undoubtedly there would be long debate by the Congress. However, if the Board was going to take a strong position at this time, that was the position he would take.

In further discussion of various aspects of the matter, attention was called to requirements applicable to member banks but not
applicable to nonmember banks. The two principal requirements were those relating to required reserves and par clearance of checks. It was pointed out that an effort to impose par clearance on all banks would no doubt meet a hard core of resistance.

Governor Shepardson then made additional comments in which he reviewed, from the standpoint of the general principles involved, extending reserve requirements to all banks and requiring par clearance of checks. From the point of view of safeguarding the currency of the country, it seemed to him that all banks should be within the discipline of System membership. At the same time he felt that reserve requirements were now higher than necessary for the execution of monetary policy, and that they could be lowered. Again from the standpoint of sound principles, he believed that the manner of conducting business in this country pointed to a requirement that all banks should clear checks at par. In summary, he felt that in principle all commercial banks should be members of the System, should be subject to reserve requirements, and should have to clear checks at par, regardless of the question as to where the responsibility for bank supervision was lodged.

Governor Balderston indicated that he was inclined to agree with this statement.

There ensued further discussion of the problem of arriving at a Board position, at the conclusion of which Governor Mills inquired whether consideration should be given to following the recommendations of the Commission on Money and Credit in the areas that the preceding
discussion had covered. Chairman Martin noted that there were only four members of the Board present today; it was his view that four members of the Board should not make a determination of that kind.

This led to additional discussion of the instructions that should be given to Mr. Noyes with respect to this afternoon's meeting of the Committee on Financial Institutions, and the Chairman expressed the opinion that in the circumstances the instruction to Mr. Noyes should be to reserve his position. However, if the occasion should arise, he felt Mr. Noyes might say that it looked as though the Board was moving in the direction of favoring compulsory membership in the Federal Reserve System. At least, that appeared to be the trend of Board thinking at the moment.

No objection was indicated to the Chairman's outline of the instruction to Mr. Noyes.

Consideration then was given to the procedure that the Board might follow in its further study of the questions involved, with a view to arriving at a Board position. The suggestion was made that the Board might be prepared, when additional members were available, to consider what portions of the report of the Commission on Money and Credit the Board might want to endorse in principle.

Authorization for luncheon. Authorization was given for a luncheon in the staff dining room on December 11, 1962, to be followed by a conference in the Board Room, for officers of the National and State Bank Divisions of the American Bankers Association.
10/10/62

-15-

The meeting then adjourned.

Secretary's Notes: Governor Shepardson approved on behalf of the Board on October 9, 1962, a memorandum from the Division of International Finance dated October 5, 1962, recommending the establishment of a new position of Clerk-Stenographer in that Division.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Division of Administrative Services recommending acceptance of the resignation of Frances E. Levell, Cafeteria Helper, effective at the close of business October 3, 1962.

Letter to the Federal Reserve Bank of Boston (attached Item No. 6) approving the appointment of Norman Morris and Richard Dow Marden as assistant examiners.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 7) approving the appointment of Richard C. Huffman as assistant examiner.

[Signature]
Secretary
October 10, 1962

Mrs. Valerie R. Splitt,
Secretary, Retirement System
of the Federal Reserve Banks,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mrs. Splitt:

In accordance with your letter of October 3, 1962, concerning certain changes in the amendment to Section 8 (5) of the Rules and Regulations of the Retirement System of the Federal Reserve Banks, the Board of Governors approves the amendment in the manner as recommended by the Board of Trustees of the Retirement System, as set forth in your letter of October 3.

The Board also approves the fixing of the regular interest rate at its present 3 per cent figure in accordance with the action taken by the Board of Trustees on June 20, 1962.

It is understood that this amendment to Section 8 (5), as well as the previous amendment to Section 1 of the Rules and Regulations approved by the Board of Governors on September 6, 1962, will become effective immediately, subject to a favorable determination that the Trust continues to qualify in these respects under the Internal Revenue Code.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
October 10, 1962

Mr. Phillip S. Hughes, Assistant Director
for Legislative Reference,
Executive Office of the President,
Bureau of the Budget,
Washington 25, D. C.

Attention Mrs. Garziglia.

Dear Mr. Hughes:

This is to advise in response to your letter of October 8, 1962, that the Board recommends approval of the enrolled bill, H.R. 8874, "To authorize certain banks to invest in corporations whose purpose is to provide clerical services for them, and for other purposes".

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.
By Act of Congress approved October 15, 1962 (Public Law 87-827), section 19 of the Federal Reserve Act (12 U.S.C. 371b) was amended so as to exempt, for a period of three years, deposits of foreign governments and certain foreign institutions from regulation by the Board of Governors as to the rate of interest which member banks may pay on time deposits. The Board has amended section 217.3(a) of Regulation Q, which pertains to the rate of interest member banks may pay on time and savings deposits, by adding the following sentence:

During the period commencing October 15, 1962, and ending upon the expiration of three years after such date, the provisions of this paragraph shall not apply to the rate of interest which may be paid by member banks on time deposits of foreign governments, monetary and financial authorities of foreign governments when acting as such, or international financial institutions of which the United States is a member.

These amendments to the law and Regulation Q relate only to the rate of interest that may be paid on such foreign time deposits; such deposits continue to be subject to other requirements of the law and Regulation Q, such as restriction on payment of time deposits before maturity.
1. Effective October 15, 1962, paragraph (a) of § 217.3 is amended to read as follows:

§ 217.3 Maximum rate of interest on time and savings deposits.

(a) Maximum rate prescribed from time to time. - Except in accordance with the provisions of this part, no member bank shall pay interest on any time deposit or savings deposit in any manner, directly or indirectly, or by any method, practice, or device whatsoever. No member bank shall pay interest on any time deposit or savings deposit at a rate in excess of such applicable maximum rate as the Board of Governors of the Federal Reserve System shall prescribe from time to time; and any rate or rates which may be so prescribed by the Board will be set forth in supplements to this part, which will be issued in advance of the date upon which such rate or rates become effective. During the period commencing October 15, 1962, and ending upon the expiration of three years after such date, the provisions of this paragraph shall not apply to the rate of interest which may be paid by member banks on time deposits of foreign governments, monetary and financial authorities of foreign governments when acting as such, or international financial institutions of which the United States is a member.
2a. The purpose of this amendment is to add a new sentence to § 217.3(a) to conform this part to the Act of Congress, approved October 15, 1962 (Public Law 87-827), which exempts, for a period of three years, deposits of foreign governments and certain foreign institutions from regulation by the Board of Governors as to the rate of interest which member banks may pay on time deposits.

b. The notice and public procedure described in sections 4(a) and 4(b) of the Administrative Procedure Act, and the prior publication described in section 4(c) of such act, are not followed in connection with this amendment for the reasons and good cause found, as stated in § 262.1(e) of the Board's rules of procedure (Part 262), and especially because such notice, procedure, and prior publication are unnecessary as they would serve no useful purpose.


BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman
Merritt Sherman,
Secretary.
October 10, 1962

CONFIDENTIAL (FR)

Mr. William F. Treiber,
First Vice President,
Federal Reserve Bank of New York,
New York 45, New York.

Dear Mr. Treiber:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of New York for the period September 24 through December 31, 1962, at the rates indicated, which are the rates fixed by your Board of Directors as reported in your letter of September 21, 1962:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>George Garvy</td>
<td>Economic Adviser</td>
<td>$23,000</td>
</tr>
<tr>
<td>Alan R. Holmes</td>
<td>Vice President</td>
<td>23,000</td>
</tr>
<tr>
<td>Ernest E. Blanchette</td>
<td>Manager</td>
<td>12,000</td>
</tr>
<tr>
<td>Karl L. Ege</td>
<td>Manager</td>
<td>14,000</td>
</tr>
<tr>
<td>Leonard I. Bennetts</td>
<td>Assistant General Auditor</td>
<td>12,000</td>
</tr>
</tbody>
</table>

The Board has noted the reference in your letter to the change in assignments of Messrs. Bergin and Thoman.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
CONFIDENTIAL (FR)

Mr. B. F. Groot, Vice President,
Federal Reserve Bank of Boston,
Boston 6, Massachusetts.

Dear Mr. Groot:

In accordance with the requests contained in your letters of October 2, 1962, the Board approves the appointment of Norman Morris and Richard Dow Marden as assistant examiners for the Federal Reserve Bank of Boston. Please advise the effective dates of the appointments.

It is noted that Mr. Morris is indebted to The Provident Institution for Savings in the Town of Boston, Boston, Massachusetts, a nonmember bank, and that Mr. Marden is the son of the president of Randolph Savings Bank, Randolph, Massachusetts, a nonmember bank. Accordingly, the Board's approval of these appointments is given with the understanding that Mr. Morris will not participate in any examination of The Provident Institution for Savings in the Town of Boston until his indebtedness has been liquidated, and that Mr. Marden will not participate in any examination of Randolph Savings Bank so long as his father is an officer of that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
October 11, 1962

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Nosker:

In accordance with the request contained in your letter of October 5, 1962, the Board approves the appointment of Richard C. Huffman as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Huffman is indebted to Grant County Bank, Petersburg, West Virginia, a nonmember bank of which his mother is an employee. Accordingly, the Board's approval of Mr. Huffman's appointment is given with the understanding that Mr. Huffman will not participate in any examination of that bank so long as his indebtedness remains unliquidated and his mother is employed by that institution.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.