

1009
9/63

Minutes for November 20, 1963

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

Gov. Mills

Gov. Robertson

Gov. Balderston

Gov. Shepardson

Gov. Mitchell

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, November 20, 1963. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Shepardson
Mr. Mitchell

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, 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. Connell, Controller
Mr. Shay, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Bass, Assistant Controller
Mr. Mattras, General Assistant, Office of the Secretary
Mr. Doyle, Attorney, Legal Division

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on November 18, 1963, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

11/20/63

-2-

| | <u>Item No.</u> |
|---|-----------------|
| Memorandum from the Office of the Controller dated November 6, 1963, recommending the adoption of a policy covering the payment of expenses incurred incident to the death of an employee while in official travel status. | 1 |
| Letter to Chase International Investment Corporation, New York, New York, rescinding certain conditions relating to investment in stock of Arcturus Investment & Development, Ltd., Montreal, Canada. | 2 |
| Letter to the Presidents of all Federal Reserve Banks advising of Board concurrence in proposed changes in the uniform protest instructions contained in the operating circulars of the Federal Reserve Banks relating to cash items. | 3 |
| Letter to the Federal Housing Administration with regard to the possibility of obtaining the services of Mr. Louis Teitlebaum for consultation on the use of statistical sampling in examinations of the Federal Reserve Banks. | 4 |

In connection with Item No. 2, Mr. Goodman verified that the terms of the letter were harmonious with the provisions of Regulation K, Corporations Engaged in Foreign Banking and Financing Under the Federal Reserve Act, as revised September 1, 1963.

Federal Reserve notes (Item No. 5). There had been distributed a draft of press release regarding the issuance of new \$1 Federal Reserve notes. The draft, in its present form, reflected consideration of comments received from the Federal Reserve Banks in response to the Board's request for their suggestions concerning a previous draft.

Mr. Farrell reported that the proposed release had been concurred in by the Treasury Department subject to certain minor changes, which he described.

11/20/63

-3-

Agreement was then expressed with the press release, with the understanding that it would be issued on November 25, 1963.

Secretary's Note: A copy of the press release, which was issued on November 26, 1963, rather than November 25, is attached as Item No. 5.

Establishment of branches by foreign banking subsidiaries

(Item No. 6). There had been distributed a memorandum from the Division of Examinations dated November 8, 1963, regarding a request from Chase Manhattan Overseas Banking Corporation, New York, New York, for a waiver of the requirement for prior consent of the Board to the establishment of new branches by Banco Lar Brasileiro, Rio de Janeiro, Brazil, or by Banco Mercantil y Agricola, Caracas, Venezuela, both subsidiaries of Chase.

The memorandum recommended that the Board approve a procedure involving a minimum of reporting requirements for the establishment of branches in the country of domicile of a foreign bank controlled by a corporation operating under the provisions of section 25 or 25(a) of the Federal Reserve Act. The first procedure suggested would require that the section 25 or 25(a) corporation advise the Board of the intention of its subsidiary foreign bank to establish other branches or agencies in the country, under Regulation M procedure, unless otherwise advised by the Board. The second alternative would provide that, subject to continuing observation and review, the Board would suspend until further notice the requirements with respect to prior consent to the

11/20/63

-4-

establishment of a branch or agency in the country, provided the Edge or agreement corporation notified the Board within 30 days of the establishment of each branch or agency. The third alternative procedure, and the one preferred by the Division of Examinations, would provide that subject to continuing observation and review, the Board would suspend until December 31, 1965, (with the right to terminate the authorization upon 90 days' written notice) the requirement with respect to prior consent to the establishment of a branch or agency in the country, provided Chase Manhattan Overseas Banking Corporation notified the Board promptly of the establishment of each additional branch or agency by its foreign subsidiary banks.

In reply to a question from Governor Balderston, Mr. Goodman expressed the view that a suspension, rather than outright waiver, of the requirement for obtaining prior consent would have the advantage of permitting the Board to look at the situation again after a few years of experience to see if the procedure was working out satisfactorily. If not, the suspension could be allowed to lapse. He indicated that he had no strong conviction as to which of the three alternative procedural possibilities outlined in the memorandum would be the best.

Governor Robertson indicated that he saw no good reason for differentiating between Edge corporations, on the one hand, and national banks on the other hand.

In reply, Mr. Goodman noted that the provisions of Regulation M relate to branches of national banks and that, by virtue of Regulation H,

11/20/63

-5-

such provisions are extended to foreign branches of State member banks. It might be said, he thought, that there was some reason for closer supervision in the case of direct foreign branches of a member bank than in the case of branches of a foreign bank controlled by an Edge or agreement corporation. In theory there was a difference. In practice, it was admittedly hard to see much difference, but perhaps there was some basis for allowing greater latitude in the case, for example, of the establishment of a branch in Brazil by a Brazilian bank owned by an Edge corporation than in the case of the establishment of a branch in Brazil by a member bank.

Governor Mills expressed agreement with the view, previously indicated by Governor Robertson's comment, that the Board should be put on notice of the proposed establishment of a branch by a foreign subsidiary bank of an Edge or agreement corporation. This would impose no substantial burden, and the procedure would then be consistent with the procedure prescribed under Regulation M.

Governor Balderston likewise indicated that he saw a virtue in consistency.

Mr. Solomon acknowledged that persuasive arguments could be offered for treating foreign subsidiary banks in the same way that their parent institutions or national banks were treated. He felt, however, that the Board might be interested in the arguments presented by Chase, which pointed out that when it went into a foreign country through a locally organized institution it counted on the participation, support,

11/20/63

-6-

and active cooperation of the local people. Of course, when an Edge or agreement corporation held a majority of the stock of a local institution it could clearly call the tune, so it could be said that the Board would be justified in laying down the same rules as for the parent corporation. However, an organization like Chase would contend that it wanted the local interests to feel a sense of initiative and responsibility. It would maintain that it was difficult to convey this impression if the foreign bank made plans for another branch and were told that those plans could not go forward until they were taken up with the Board in Washington and there was a wait of 30 days to determine whether the Board had any objection. An organization like Chase would say that it wanted to convey a degree of autonomy to the local people.

As the discussion proceeded, Mr. Goodman noted that whatever procedure the Board prescribed for Chase, it probably would want to prescribe also for other Edge and agreement corporations having substantial interests in foreign banking subsidiaries.

Governor Mills then referred to the limited experience under the revised Regulation K and Regulation M. He was apprehensive about moving too fast without sufficient background. Where no substantial burden was imposed, he saw an advantage in adhering to standard procedures, at least until more experience was accumulated.

Governor Robertson spoke in favor of maintaining complete harmony between procedures prescribed under Regulation K and under Regulation M. Consequently, he would require that the Board be advised of the proposed

11/20/63

-7-

establishment of branches of foreign subsidiary banks of Edge or agreement corporations just as in the case of the proposed establishment of foreign branches of national banks. This would be no great burden, and he considered it a reasonable request to make.

Mr. Solomon commented, like Mr. Goodman previously, that presumably the Board would want to follow a consistent policy for all comparably situated Edge and agreement corporations. He noted that there might be some distinction between a situation where an Edge corporation held the majority of the stock of a foreign subsidiary bank and one where it owned a smaller percentage of the stock.

Governor Shepardson said he agreed completely with the thought of consistency. Whatever was done for one ought to be made a rule of general application. He concluded that it might be well to follow the first alternative procedure outlined in the memorandum from the Division of Examinations, thus insuring complete consistency with the procedure prescribed for national banks under Regulation M, until the Board had gained more experience with the administration of the revised regulations. The argument Messrs. Solomon and Goodman had advanced might have some validity, but he doubted that anyone would be hurt for the moment by following the first alternative.

Governor Mitchell agreed with the view that adherence to the same procedure as prescribed for national banks by Regulation M would not hurt anyone, even though he recognized that Chase desired to maintain

11/20/63

-8-

the fiction that the foreign subsidiary banks in Brazil and Venezuela were local institutions. He did not feel that the requirement for a 30-day waiting period after providing notice of the proposed establishment of a branch would present any practical problem.

It being understood, then, that the Board desired to reply to the Chase inquiry by prescribing the procedure set forth as the first alternative procedure in the memorandum from the Division of Examinations, Mr. Goodman inquired whether the Board would want to have brought back to it a draft of letter that might be sent to all Edge and agreement corporations, other than Chase, having foreign subsidiary banks. In response to a question, he enumerated the Edge and agreement corporations that would be involved. There was then an indication of general agreement on the part of the Board members that, since the basic principle had been decided, the staff would be authorized to prepare and send to all Edge and agreement corporations with foreign banking subsidiaries letters embodying this principle and stating the procedure to be followed in connection with proposals by foreign banking subsidiaries to establish branches.

A copy of the letter sent to Chase Manhattan Overseas Banking Corporation pursuant to the foregoing decision is attached as Item No. 6.

Messrs. Shay, Goodman, and Doyle then withdrew and Mrs. Sette, Chief, Economic Editing, Division of Research and Statistics, entered the room.

11/20/63

-9-

Format of Annual Report. Mr. Noyes displayed a mock-up of the proposed format of the Board's 50th Annual Report, covering the year 1963, and discussed considerations involved in the proposal. It was indicated that the matter had been discussed with Chairman Martin, who indicated that he would have no objection.

Expressions by the members of the Board being favorable, it was understood that the 1964 budget would be prepared on the basis that the proposed format would be used.

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

Appointment of Vice President at Denver. There was discussion of the proposal, as set forth in a letter from Deputy Chairman Simons dated November 14, 1963, for appointment of a Vice President of the Federal Reserve Bank of Kansas City who would be assigned in charge of the Denver Branch to succeed Vice President Puckett, who was to retire at the end of this year. It was concluded that no action would be taken on this matter until after there had been an opportunity for members of the Board to discuss the situation with Chairman Scott, Deputy Chairman Simons, and President Clay when they were in Washington during the first week of December.

Greeting card. The format of a card that would convey the Board's holiday greetings and recognize the 50th anniversary of the signing of the Federal Reserve Act was brought to the attention of the

11/20/63

-10-

Board. The Board authorized going ahead with the obtaining of a supply of the cards for appropriate distribution, along with payment of the necessary costs.

Appointment of First Vice President at Minneapolis (Item No. 7).

On October 14, 1963, the Board indicated that it would be prepared to approve the appointment of M. H. Strothman, Jr., currently Vice President and General Counsel of the Federal Reserve Bank of Minneapolis, as First Vice President of the Bank effective January 1, 1964, if such action should be taken by the Board of Directors of the Bank. Advice had now been received that such action was taken by the directors at their meeting on November 14, 1963, with salary fixed at the rate of \$25,000 per annum for the period January 1 through December 31, 1964.

Mr. Strothman's appointment as First Vice President effective January 1, 1964, for the remainder of the term expiring February 28, 1966, was approved unanimously, along with the payment of salary to him at the rate of \$25,000 per annum for the period January 1 through December 31, 1964. A copy of the letter sent to the Reserve Bank pursuant to this action is attached as Item No. 7.

The meeting then adjourned.

Secretary's Notes: In implementation of action taken by the Board on October 9, 1963, Governor Shepardson approved on behalf of the Board on November 19, 1963, a revision of paragraph 3 of Section B of the Board's travel regulations, effective October 9, 1963, to read as follows:

11/20/63

-11-

3. Travel on official business outside the continental United States shall be undertaken only when approved in advance by the Board of Governors, except that travel to the States of Alaska and Hawaii may be authorized and approved by the designated Board Member or by the Division Head, whichever is necessary to conform with paragraphs 1 and 2 of this Section. Reimbursement for expenses of such travel shall be in accordance with the Standardized Government Travel Regulations, and when, because of unusual circumstances, the prescribed per diem rate is substantially less than the amount required for actual subsistence expenses, the traveler may, when authorized, be allowed actual necessary travel expenses.

In accordance with the recommendation contained in a memorandum dated November 15, 1963, from Mr. Koch, Associate Director, Division of Research and Statistics, Governor Shepardson authorized on behalf of the Board on November 19, 1963, a dinner to be held on the evening of November 21 in connection with the "Laboratory on Regression" sponsored by the System Committee on Computers in Research and being held at the Board on November 21 and 22. It was understood that the cost of the dinner for approximately 75 persons would be about \$530.

Pursuant to recommendations contained in memoranda from appropriate individuals concerned, Governor Shepardson today approved on behalf of the Board the following actions relating to the Board's staff:

Salary increases, effective November 24, 1963

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|---|-----------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| <u>Office of the Secretary</u> | | | |
| Lillie B. Brow, Assistant Supervisor, Subject Files | | \$ 5,885 | \$ 6,055 |
| M. Elizabeth Jones, Technical Assistant | | 8,840 | 9,105 |
| Carol M. Karstetter, Secretary | | 4,885 | 5,045 |
| Margaret J. Molster, Supervisor, Subject Files | | 6,280 | 6,465 |
| Jeanne Krieger Semia, Technical Assistant | | 8,840 | 9,105 |
| <u>Research and Statistics</u> | | | |
| Murray Altmann, Economist | | 13,270 | 13,695 |
| Peter Gajewski, Economist | | 9,475 | 9,790 |
| Mary Anne McVeigh, Secretary | | 4,565 | 4,725 |
| Penny Winters, Statistical Clerk | | 4,250 | 4,390 |

11/20/63

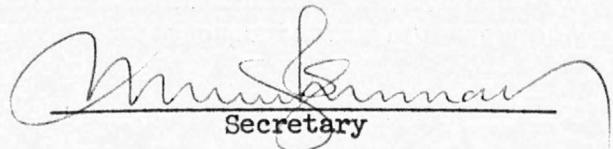
-12-

Salary increases, effective November 24, 1963 (continued)

| <u>Name and title</u> | <u>Division</u> | <u>Basic annual salary</u> | |
|--|-----------------|----------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| <u>International Finance</u> | | | |
| Margaret H. Brewster, Clerk | | \$4,110 | \$4,250 |
| Nyart S. Sharigan, Secretary | | 6,280 | 6,465 |
| <u>Bank Operations</u> | | | |
| Kathryn A. Jackson, Statistical Assistant | | 5,545 | 5,715 |
| <u>Examinations</u> | | | |
| William E. Rumbarger, Review Examiner | | 8,575 | 8,840 |
| <u>Administrative Services</u> | | | |
| Helen L. Hulen, Chief, Publications Services | | 7,800 | 8,025 |
| Mary K. Nantell, Cafeteria Helper | | 3,665 | 3,770 |
| <u>Office of the Controller</u> | | | |
| Jean S. Barber, Accounting Clerk | | 5,375 | 5,545 |

Acceptance of resignation

Joan B. Wilson, Editorial Assistant, Division of Administrative Services, effective at the close of business November 22, 1963.


Secretary

Office Correspondence

Date November 6, 1963.

To Board of Governors
via Governor Shepardson
From Office of the Controller

Subject: _____

During the current examination of the Omaha Branch of the Federal Reserve Bank of Kansas City, Senior Examiner Jerome T. Kelley died on November 1, 1963. Mr. Kelley was in travel status, Washington, D.C., was his headquarters, and his residence was Baltimore, Maryland. So far as is known, this is the first case in the history of the Board of an employee dying while in a travel status.

The Board has no established policy governing expenses incurred for the preparation and transportation of the remains of an employee who dies while in an official travel status. Therefore, in order to set a policy that will coincide with the Government practice, the following recommendations are submitted:

Recommendations

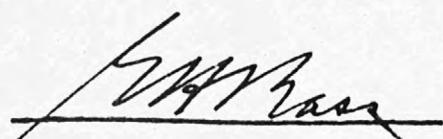
That in the event of death of an officer or employee of the Board, including that of the present decedent Mr. Jerome T. Kelley, while in official travel status within or outside the continental limits of the United States, the Board pay either direct or on a reimbursable basis, the costs enumerated and within the limitations prescribed in Executive Order 8557, as amended.

Further, that for such travel the necessary costs of transportation of the personal baggage of the decedent be allowed, subject to the provisions of the Standardized Government Travel Regulations governing the payment of charges for transportation of baggage generally.

Comments

The Government practice in respect to defraying these costs is based upon the Act of July 8, 1940 (54 Stat 743), and Executive Order 8557 dated September 30, 1940, as amended. The Executive Order prescribes the necessary regulations required by the Act and the pertinent parts of the Order are attached for the Board's information. It is to be noted the policy applies to official travel both within and outside the continental limits of the United States (the original 48 States).

Attachment
cc: Division of Personnel Administration



PART II--PREPARATION AND TRANSPORTATION OF THE REMAINS OF EMPLOYEES
DYING WHILE IN A TRAVEL STATUS AWAY FROM THEIR OFFICIAL STATION
AND WITHIN THE CONTINENTAL LIMITS OF THE UNITED STATES

Section 2. When an employee dies while traveling on official business within the continental limits of the United States, the head of the department concerned shall pay the expenses of preparing the remains of the decedent and of transporting the remains to the home or official station of the decedent or to such other place as the head of the department may designate as the appropriate place of interment, provided that in no case shall the expenses payable be greater than the amount which would have been payable had the place of interment been the home or official station, whichever shall be more distant.

Section 3. Preparation of Remains. - The costs of preparation of remains allowable under section 2 of these regulations shall include the costs of embalming, cremation, necessary clothing, and casket. The total amount allowed for such preparation shall not exceed \$150.^{1/}

Section 4. Transportation of Remains. - The costs of transportation of remains allowable under section 2 of these regulations shall include the costs of removal of the remains from the place where death occurred to an undertaking establishment, procurement of burial and shipping permits, furnishing an outside case for shipment (including, when necessary, the sealing of such shipping case), removal to a common carrier, transporting the body by common carrier, and one removal at the place of interment from the common carrier to an undertaking establishment or other place of immediate delivery. Instead of conveyance by common carrier, removal of the remains overland by hearse (including ferry charges, bridge tolls, and similar items) may be allowed, provided that the total charges for transportation shall not exceed the total costs of transportation had conveyance been made by common carrier. If conveyance is by hearse, no allowance shall be made for an outside shipping case.

^{1/} Increased from \$100 by Executive Order 10209 issued in 1951.

PART III--PREPARATION AND TRANSPORTATION OF REMAINS OF EMPLOYEES DYING WHILE IN A TRAVEL STATUS OUTSIDE THE CONTINENTAL LIMITS OF THE UNITED STATES OR WHILE ON ASSIGNMENT TO A POST OUTSIDE THE UNITED STATES

Section 5. When an employee dies while traveling on official business outside the continental limits of the United States or while on assignment to a post outside the United States, the head of the department concerned shall pay the expenses of preparing the remains of the decedent and of transporting the remains to the home or official station of the decedent or to such other place as the head of the department may designate as the appropriate place of interment, provided that in no case shall the expenses payable be greater than the amount which would have been payable had the place of interment been the home or official station, whichever shall be more distant.

Section 6. Preparation of Remains. The costs of preparation of remains allowable under section 5 of these regulations shall include all the ordinary costs of embalming, cremation, necessary clothing, and a casket or container suitable for shipment to the place of interment. There shall also be allowed any expenses necessarily incurred in complying with local laws and laws at the port of entry in the United States relative to the preparation of dead bodies for transportation and burial.

Section 7. Transportation of Remains. The costs of transportation of remains allowable under section 5 of these regulations shall include the charges for removal of the decedent's remains from the place where death occurred to an undertaking establishment, from the undertaking establishment to a common carrier, thence by common carrier to the place of interment, and one removal at the place of interment from the common carrier. The remains may be transported by means other than by common carrier, provided that when conveyance by common carrier is available there shall be allowed toward the expense of such other transportation an amount not in excess of the sum allowable had the remains been transported by common carrier.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 2
11/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1963.

Mr. Victor E. Rockhill,
President,
Chase International Investment Corporation,
1 Chase Manhattan Plaza,
New York, New York 10005.

Dear Mr. Rockhill:

Reference is made to your letter of December 27, 1962 regarding the Board's letter of December 29, 1954 addressed to Mr. John J. McCloy, Chairman, Board of Directors, The Chase Bank [now known as Chase International Investment Corporation ("CIIC")] prescribing conditions to the investment by The Chase Bank in a corporation to be organized under the laws of Canada. The Canadian corporation was subsequently formed under the name of Arcturus Investment & Development, Ltd. ("Arcturus") and it is understood CIIC presently owns all of the outstanding shares of Arcturus.

Your letter referred to condition numbered 2 in the attachment to the Board's letter of December 29, 1954 which provided:

"2. The Canadian corporation will not, without the prior approval of the Board of Governors, engage or participate in the public sale or distribution of securities or the underwriting thereof (except on a mere standby basis) directly or indirectly, in any foreign country in which The Chase Bank or The Chase National Bank of the City of New York has a branch for the conduct of depository banking."

Your letter also referred to condition numbered "3" in the Board's letter of January 20, 1960 granting general consent to CIIC and Arcturus to purchase and hold stock in generally designated types of corporations.

The concluding paragraph of your letter states that it would appear that the policy of the Board of Governors with respect to Edge Act corporations and their subsidiaries has been altered in that no prohibition is now being imposed upon such corporations or their subsidiaries engaging in the business of underwriting in a foreign country in which the parent bank or the Edge Act corporation carries on depository banking. In the circumstances, you asked that the Board of Governors confirm to you that the aforementioned conditions are no longer applicable to CIIC or Arcturus.

As you will recall, your letter was received during the period when Regulation K was being reviewed for purposes of revision. Accordingly,

Mr. Victor E. Rockhill

-2-

final consideration of your request was deferred pending the adoption of a revised Regulation K which became effective September 1, 1963.

As to the provision in the Board's letter of January 20, 1960 granting general consent to CIIC and Arcturus, on September 12, 1963 you were advised that, in view of the adoption of the revised Regulation K which contains in Section 211.8(a) a General Consent for investment in shares of other corporations in certain situations, the general consent in the Board's letter of January 20, 1960 was terminated.

In view of the statutory limitations in Section 25(a) with respect to the activities of corporations organized thereunder and the restrictions and limitations now contained in the Board's Regulation K, as revised effective September 1, 1963, the Board hereby rescinds all of the conditions prescribed in its letter of December 29, 1954 regarding the proposed acquisition of shares of the Canadian corporation subject to the condition that:

CIIC shall not hold any shares of stock in Arcturus (a) if Arcturus 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 (b) if Arcturus, directly or indirectly, takes any action or engages in any operation in Canada or elsewhere, in any manner, which at the time would not be permissible if Arcturus were a corporation organized under said Section 25(a).

In this connection, however, your attention is called to the provisions of Section 211.8--Investments in Shares of Other Corporations of Regulation K, as revised effective September 1, 1963, and particularly to subsection (c)(1) which relates to Conditions, as follows:

"Shares of stock in a corporation shall be disposed of as promptly as practicable if (i) such corporation should engage in the business of underwriting, selling, or distributing securities in the United States or (ii) the Corporation is advised by the Board that their holding is inappropriate under section 25(a) of the Act or this part."

The Board believes that Arcturus should not be permitted to make investments in, and loans to, any one person, as defined in Section 211.2(e) of Regulation K, in amounts which, combined with those to such person by CIIC, would be in excess of that permitted to CIIC. Accordingly, the Board would regard the limitations on CIIC as applicable to the investments (including loans) of CIIC and Arcturus on a combined basis.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

Item No. 3 4085
11/20/63

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25. D. C.

S-1901

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1963.



Dear Sir:

Under date of October 18, 1963, Mr. Deming, Chairman of the Committee on Collections and Accounting of the Conference of Presidents, sent to all members of the Conference of Presidents a memorandum requesting an indication whether they approved a letter report of the Subcommittee on Collections and the Subcommittee of Counsel on Collections dated September 27, 1963, and the course of action outlined in his memorandum, with respect to proposed changes in the uniform protest instructions contained in the operating circulars of the Federal Reserve Banks relating to cash items.

By a letter dated November 8, 1963, Mr. Deming has advised the Board that all members of the Conference of Presidents have indicated their approval of the letter report of September 27, 1963, and of the course of action outlined in his memorandum of October 18, 1963.

The Board concurs in this action of the Conference of Presidents. Accordingly, subparagraphs (1) and (2) of the paragraph regarding protest and wire advice of nonpayment in the operating circulars of the Federal Reserve Banks relating to the collection of cash items will be amended in the manner recommended by the letter report of September 27, 1963, so that the introductory provisions and subparagraphs (1) and (2) of that paragraph will read as follows:

"Federal Reserve Banks will receive, handle, and forward cash items subject to the following uniform instructions regarding protest and wire advice of nonpayment except that United States Government checks will not be protested:

- "(1) PROTEST dishonored items of \$1,000 and over:

-2-

"(a) that appear on their face to be drawn outside of the state in which payable, except those bearing on their face the A.B.A. no-protest symbol of a Federal Reserve Bank or of a preceding bank endorser, or

"(b) that bear on their face the legend, 'PROTEST REQUIRED,' of a Federal Reserve Bank or of a preceding bank endorser.

"(2) DO NOT PROTEST items of less than \$1,000, or items of \$1,000 and over except those protestable under subparagraph (1)."

It is understood that the effective date of this amendment will be left to the discretion of the Chairman of the Subcommittee on Collections in order that it may be coordinated with the effective date of similar action to be taken by the Bank Management Committee of the American Bankers Association with respect to the transit instructions of its member banks. It is also understood that, at the time of announcement of the amendment, the Federal Reserve Banks will issue a circular in substantially uniform terms explaining the reasons for and the effect of the amendment, and that such a circular is presently being drafted by the Subcommittee of Counsel on Collections in collaboration with the Chairman of the Subcommittee on Collections.

It is understood further that the Chairman of the Subcommittee on Collections will wire each Federal Reserve Bank advice as to the effective date of the amendment and, in order that the issuance of the amendment may be timed to coincide with the mailing of the ABA's communication to its members, that he will also advise each Federal Reserve Bank of the mailing date selected by the Bank Management Committee.

No change is being made in the protest instructions applicable to the collection of noncash items. Accordingly, the paragraph regarding "Protest Practice in Absence of Instructions" contained in the operating letters of the Reserve Banks regarding the collection of noncash items, as amended effective May 1, 1959, will continue to read as follows:

"In the absence of specific instructions in the sending bank's collection letter, this Bank will receive, handle, and forward noncash items subject to the following protest instructions:

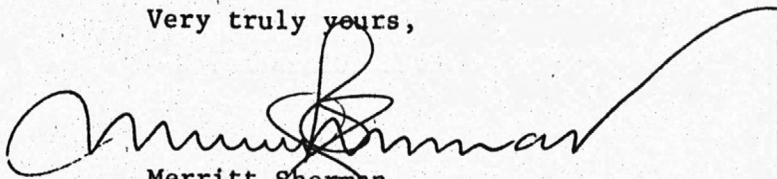
"(a) DO NOT PROTEST items of less than \$1,000.

"(b) PROTEST dishonored items of \$1,000 or over, except bonds, debentures, coupons, and other similar securities."

-3-

This letter supersedes the Board's letter of March 10, 1959, (S-1690) now contained in F.R.L.S. #4511. The present letter will appear in the Federal Reserve Loose-Leaf Service as #4368.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", written in dark ink. The signature is fluid and extends across the width of the page.

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 4
11/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1963.

Mr. Carlos Starr,
Deputy Associate Commissioner for Management,
Federal Housing Administration,
Washington, D. C. 20411

Dear Mr. Starr:

Mr. Frederic Solomon, Director of the Board's Division of Examinations, has had informal discussions with Mr. Louis Teitlebaum, Director, Audit and Examination, Federal Housing Administration, regarding the possibility that Mr. Teitlebaum might provide some consultation and advice with respect to the use of methods of statistical sampling in the activities of the Board's Division of Examinations. It appears that it might be helpful if Mr. Teitlebaum could provide such assistance for a period of a few days, including a visit to a location away from Washington. The Board would be pleased to provide reimbursement for expenses, a fee, or both, in any manner that might be appropriate, either by payment to the FHA, or by payment to Mr. Teitlebaum if he performed the services while on annual leave or otherwise off duty from your organization.

It would be appreciated if you would let us know whether you would have any objection to the performance of such services by Mr. Teitlebaum, and whether you would have any preference as to the nature of any such arrangements.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



For immediate release

November 26, 1963.

The Board of Governors of the Federal Reserve System and the Treasury Department announced today that more than 50 million new \$1 Federal Reserve notes are going into circulation. Issuance of the new \$1 notes, authorized by Congress last June, has already begun at all 12 Federal Reserve Banks and their 24 Branches to commercial banks in every part of the country. This will make more silver available for coinage purposes and help to meet the increased demand for currency in connection with pre-Christmas business.

To facilitate the widest possible distribution, the initial supply of the new notes is being distributed through normal commercial banking channels; none of the first 50 million notes will be available to the public at any of the Federal Reserve Banks or Branches.

The new \$1 Federal Reserve notes closely resemble the present \$1 silver certificates, which ultimately they will replace completely. The back of the new notes and the portrait of George Washington on the face will be exactly the same as the silver certificates. The main difference will be the addition of a symbol, appearing to the left of the portrait, identifying the issuing Federal Reserve Bank, and the wording on the face of the bill. The notes bear the signatures of the Secretary of the Treasury and the Treasurer of the United States, as do Federal Reserve notes of other denominations.

-2-

The new notes will read (above the portrait): "The United States Of America" and (below the portrait) "One Dollar." The legend stating that the bill "Is Legal Tender For All Debts, Public and Private," appearing on the silver certificates will also appear on the new Federal Reserve notes, but the new notes will not contain any reference to silver. Thus, they will not carry the language: "This Certifies That There Is On Deposit In The Treasury Of The United States Of America" (above portrait) and "One Dollar In Silver Payable To The Bearer On Demand" (below the portrait).

Federal Reserve notes have been the basic circulating currency of the United States for many years, comprising over 85 per cent (more than \$30 billion) of the face amount of all currency in circulation today. They are backed 100 per cent by collateral in the form of gold certificates, U. S. Government securities, or short-term paper discounted or purchased by the Federal Reserve Banks.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 21, 1963.

Mr. Charles Cain, Jr., President,
Chase Manhattan Overseas Banking Corporation,
1 Chase Manhattan Plaza,
New York, New York 10005.

Dear Mr. Cain:

Reference is made to your letter of October 16, 1963 again requesting that the condition of prior consent of the Board of Governors to the establishment of any branch by Banco Lar Brasileiro, Rio de Janeiro, Brazil, and Banco Mercantil y Agricola, Caracas, Venezuela, be waived. You state that, in view of the changes in Regulations K and M of which the managements of the Venezuelan and Brazilian banks are aware, you are again being pressed by the managements of those banks to apply for relief from this requirement.

This relates to the subject of your letter of January 3, 1963 about matters previously discussed by Messrs. Agemian and Haberkern with members of the Board's staff. As you will recall, your letter was received during the period when Regulations K and M were being reviewed for purposes of revision, particularly in connection with the adoption of a simplified procedure with respect to the establishment of branches. Accordingly, final consideration of your request was deferred pending the adoption of the revised Regulation M, which became effective August 1, 1963, and the revised Regulation K, which became effective September 1, 1963.

The Board feels that in cases where a Corporation operating under Section 25 or 25(a) of the Federal Reserve Act holds 25 per cent or more of the voting shares of a foreign bank, a procedure similar to the modified procedure set forth in § 211.6(b) of the revised Regulation K should be followed with respect to the establishment of branches or agencies of such foreign bank. Therefore, the provisions of sub-paragraph (1) of the third paragraph of the Board's letters to The Chase Manhattan Bank dated February 14, 1962 regarding Banco Lar and May 2, 1962 regarding Banco Mercantil y Agricola are modified so far as they relate to the establishment of any branch or agency, in Brazil in the case of Banco Lar or in Venezuela in the case of Banco Mercantil, to provide that CMOBC shall dispose of its holdings in either such bank in the event that either establishes any branch or agency with respect to which (1) the Board has not been given thirty days' prior notice or (2) the Board has interposed objection.

Mr. Charles Cain, Jr.

-2-

The provisions of sub-paragraph (1) of the sixth paragraph of the Board's letter to The Chase Manhattan Bank dated January 5, 1959 regarding The Chase Manhattan Bank (South Africa) Ltd. and of sub-paragraph (1) of the fourth paragraph of the letter dated December 16, 1960 regarding The Chase Manhattan Trust Corporation Limited, Nassau, Bahamas, are also similarly modified so far as they relate to the establishment of any branch or agency, in the Republic of South Africa in the case of the South African bank or in the Bahamas in the case of the Bahamian trust corporation.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 7
11/20/63

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 20, 1963

CONFIDENTIAL (FR)

Mr. Atherton Bean, Chairman,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440

Dear Mr. Bean:

The Board of Governors approves the appointment of Mr. Maurice H. Strothman, Jr., as First Vice President of the Federal Reserve Bank of Minneapolis, effective January 1, 1964, for the unexpired portion of the five-year term that began March 1, 1961.

The Board also approves the payment of salary to Mr. Strothman as First Vice President at the rate of \$25,000 per annum for the period January 1 through December 31, 1964. This rate, fixed by your Board of Directors, was reported in your letter of November 14, 1963.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

