Minutes for February 6, 1964

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
Gov. Daane
Minutes of the Board of Governors of the Federal Reserve System on Thursday, February 6, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, 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. Connell, Controller
Mr. Sammons, Adviser, Division of International Finance
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Smith, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration

Technical assistance (Items 1-2). There had been distributed a memorandum from Mr. Young dated February 3, 1964, concerning a request from the International Monetary Fund that central banks of its member countries collaborate with it in providing experts for technical assistance assignments in foreign countries. It was recommended by Mr. Young that the Board endorse Federal Reserve participation in this
effort of the Fund and that the Board, in cooperation with the Federal Reserve Banks, compile and furnish to the Fund a list of individuals, in various fields of competence, who would in principle be available for foreign assignments. Such action would not commit the Federal Reserve System to supply any particular person, or any person at all, for any particular assignment. Financial and administrative arrangements would be suited to each case, but the memorandum proposed certain broad guidelines, as follows, that might be suggested to the Reserve Banks and communicated to the Fund, with the understanding that they would not necessarily be binding in specific cases:

1. Regardless of length of assignment, the costs of travel, maintenance, etc., would be borne either by the Fund or the central bank requesting the technical assistance.

2. For periods of three months or less, if the interests of the System would be served by having the individual in question participate in the program, the System would be willing to bear the cost of the individual's salary and normal fringe benefits.

3. For periods of service longer than three months, except in those cases where the nature of the assignment might require the employee's formal separation from the System, the System would expect to be fully reimbursed for the individual's salary and fringe benefits (including employer's contribution to the retirement fund).

4. In cases where formal separation from the System was required, but where the employee returned to System employment upon the termination of his assignment with the International Monetary Fund, arrangements should be made to enable him to secure credit toward retirement for the period of time involved. In such
a case, of course, the relevant retirement fund of the System would receive both the employee's and employer's contribution for the elapsed period, presumably on the basis of the employee's salary rate at the time he left the System's employ.

Submitted with the memorandum was a draft of letter to the Presidents of the Federal Reserve Banks informing them of the plan and requesting their cooperation in establishing the panel of experts. Also submitted was a draft of letter to the International Monetary Fund informing it of the Board's action.

In discussion, agreement in principle to cooperation with the Fund program was indicated. It was felt, however, that there should be an understanding that the Fund would clear any prospective assignments through official channels rather than to go direct to individuals, and that the letter to the Fund should refer to such an understanding. It was further agreed that the suggested guidelines for System assistance were not to be regarded as rigid rules but rather were subject to modification as might seem appropriate according to the circumstances of any given situation. For example, there might develop to be cases, when the period of service was longer than three months, where the System would not seek full reimbursement for salary and fringe benefits due to the particular circumstances involved.

At the conclusion of the discussion, unanimous approval was given to letters to the Reserve Bank Presidents and to the International Monetary Fund in the form attached as Items 1 and 2.
Messrs. Young, Noyes, Sammons, and Sprecher then withdrew from the meeting.

Examination of San Francisco Reserve Bank. The report of the examination of the Federal Reserve Bank of San Francisco made by the Board's examining staff as at the close of business September 27, 1963, had been circulated to the members of the Board along with the usual accompanying papers, and a summary memorandum from the Division of Examinations dated January 17, 1964, had been distributed.

At the Board's request, Mr. Smith reviewed the information obtained through the examination, with emphasis on difficulties in the coin function at the Los Angeles Branch and remedial steps taken by the management of the Bank. In light of his comments, it appeared that there were no matters disclosed by the examination that warranted action by the Board at this time.

The meeting then adjourned.

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

Memorandum from the Division of Administrative Services recommending the appointment of Thomas J. Farmer as Cafeteria Laborer in that Division, with basic annual salary at the rate of $3,305, effective the date of entrance upon duty.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 3) approving the designation of five employees as special assistant examiners.

(Signature) Secretary
February 12, 1964

Dear Sir:

The Board of Governors has given tentative approval to System collaboration with the International Monetary Fund in its amplified efforts to secure personnel for technical assistance assignments to foreign central banks. The attached copy of the Fund's Document EBAP/63/111 will give a general idea of the program, and the enclosed memorandum to the Board of Governors from Mr. Young dated February 3, 1964, outlines the basis on which the Board believes the System might cooperate in the program. Chairman Martin's letter of this date to the Managing Director of the Fund indicates the procedure the Board believes should be followed if the Fund wishes to inquire as to the availability of a specific individual employed by the Federal Reserve System.

It will be noted that the Fund has asked the System to nominate "at least a few selected persons" for a panel of experts on which the Fund might hope to draw in case of need. In providing this list, the System would not be committing itself or the individuals involved in any way. However, the list should include only persons who would in principle be available for, and personally willing to consider, foreign assignments. Particular attention is called to the fact that it is anticipated that experts will be needed in all phases of central banking, not just in the fields of economic research and monetary policy.

It is contemplated that, in general, individuals selected would be made available to the Fund on a reimbursable loan basis, except that in cases of short assignments (three months or less) the Board believes it would be appropriate for the Board or the employing bank to pay the salary and related fringe benefits. In all cases, arrangements would be made to ensure that any service under this program would be eligible for credit for retirement purposes if the individual returned to employment with the System.
The Board would appreciate receiving the views of your Bank regarding the proposed program. It hopes that your Bank will wish in principle to participate and that you may be able to suggest at least one name that could be included on the list to be furnished to the Fund. If that is the case, it will be appreciated if you will furnish the Board such name or names, along with two copies of the attached personal data form for each individual.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures.
Mr. Pierre-Paul Schweitzer,  
Managing Director and Chairman of the  
Board of Executive Directors,  
International Monetary Fund,  
19th and H Streets, N. W.,  
Washington, D. C. 20431

Dear Pierre-Paul:

With further reference to Governor Balderston's letter to Mr. Southard dated August 16, 1961, the Board has endorsed, in principle, Federal Reserve cooperation in the program of the International Monetary Fund for providing technical assistance in the field of central banking.

The Presidents of the Federal Reserve Banks are being informed of the Board's action in this matter, and, if their individual Banks desire to participate, are being asked to nominate one or more persons for inclusion in the panel of experts that the Fund would like to establish.

Upon receipt of the replies from the Presidents of the Federal Reserve Banks, we will communicate with you again and supply a list of any persons either from the Banks or from the Board's staff whose names we feel might be included in the panel. It would be understood that, if the Fund should become interested in obtaining the services of any person whose name was included on the list, such a request would initially be presented to the Board by the Fund, and no direct approach would be made by the Fund to the individual until after the Board had considered the matter.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.
Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio 44101.

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of January 30, 1964, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of State member banks:

F. James Beck
William Smith
Russell Detorre
Richard Nicoloff

The Board also approves the designation of Patrick Cost as a special assistant examiner for your bank for the purpose of participating in examinations of State member banks except The Cleveland Trust Company, Cleveland, Ohio.

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.