Minutes for March 5, 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 WM

Gov. Mills

Gov. Robertson R.

Gov. Balderston CCB

Gov. Shepardson CNS

Gov. Mitchell GM

Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Thursday, March 5, 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. Shepardson
Mr. Mitchell
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, 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. Smith, Assistant Director, Division of Examinations
Mr. Schaeffer, Chief Federal Reserve Examiner, Division of Examinations

Messrs. Edward Robertson and Eugene L. Larkin, Partners, Haskins & Sells

Examination procedures. There had been distributed copies of a report by Haskins & Sells dated December 20, 1963, submitted in accordance with the Board's request of May 9, 1963, that the firm undertake "a review of the procedures employed by the Board's examiners in the examination of a Federal Reserve Bank" for the purpose of expressing an opinion "as to the effectiveness of the examination by the Board's staff, and the adequacy of the examination procedures in the light of generally accepted auditing or examining standards that would be applicable in such an examination."

The firm had also considered, at the Board's request, the structure of the examining staff and the competence of the personnel.

There had likewise been distributed a memorandum from Mr. Solomon dated February 26, 1964, commenting on the Haskins & Sells report.

At the Board's suggestion, Mr. Robertson began the discussion by summarizing the instructions given to Haskins & Sells by the Board, the general approach of the firm to its assignment, its basic conclusions, and its recommendations.

Chairman Martin then asked Mr. Solomon for comments, and the latter said that while he did not envisage the examination function as requiring drastic revision, it was being and should be constantly adapted to meet the needs of the particular situation as it existed. He thought there was further opportunity for curtailment of procedures in the examinations of the Reserve Banks. It was possible to consider this matter in terms of two different types of examining activity. First, there were the things the examining staff was doing that were quite similar to the typical financial audit. The staff was interested in preserving the integrity and security of operations. Experience showed the staff was better off if it depended more on internal controls and selected testing, and probably not as well off if it depended on massive counting and verification. The examiners should observe what was going on and be sure there were sound internal controls; in this manner, they would probably get greater assurance that everything was in order throughout the year.

He had discussed this question at length with the field examining staff, Mr. Solomon said. There was room for further progress, although considerable progress had already been made. The Haskins & Sells survey was helpful. The firm made useful suggestions, not only in individual application but as indications of possibilities for further shifting of procedures.

As to the supervisory-type function, on which there was a rather specific sentence in the Board's directive to the Division, here there was something of a different situation, Mr. Solomon said. He would suppose that the Board probably would be reluctant to have the examiners give up very much of this activity. In the confidential memorandum, the examiner attempted to give the Board his impression of the administration of the Reserve Bank, drawn from his contacts with people in the Bank over a period of approximately a month. These impressions were not conclusive, only something to help the Board. The information was quite similar to that which the commercial bank examiner attempted to give his supervisors when he examined a commercial bank. The Board might want to look at the directive again, however. He did not see that the directive was in need of much change, with one possible exception: the language stating that the examiners shall develop pertinent facts and opinions which will enable the Board to appraise the condition, operations, and administration of each Reserve Bank. While he did not think it was essential to modify that language, it was perhaps susceptible of some misunderstanding due to developments over the years since the directive was adopted. The use of the word "operations" might give the impression that the examiners were expected to make operational audits; that is, detailed reviews of systems and procedures. The examiners had not been attempting to do anything like that. It was not a thing the commercial bank examiner would attempt to do.

If there was no objection, Mr. Solomon said, he proposed promptly to begin presenting a consolidated report to the Board on each Reserve Bank examination, with no separate section on each branch. There were still further possibilities for reducing the content of the report without loss of effectiveness. It might be helpful for the Board to have a look at the table of contents of a current report and see some of the possibilities for omissions or condensation. He had prepared a page to illustrate possibilities along this line.

After copies of the documents prepared by Mr. Solomon had been distributed, Governor Mitchell referred to the series of recommendations in the appendix to the Haskins & Sells report concerning specific phases of examinations and said he would like to go through the recommendations one by one, starting with bank premises.

On bank premises, Mr. Robertson said the recommendations were aimed particularly at avoiding the effort expended in compiling the information required to prepare detailed report schedules. Mr. Larkin added that the Board should consider whether it needed so much detail.

It did not seem to be the type of material essential for inclusion in an examination report. Some of the work now being done was more extensive than necessary to obtain adequate assurance that the accounts were kept properly, and the report content appeared too voluminous. However, if the Board wished to have this information, obviously that was the Board's prerogative.

Mr. Solomon said the Division did not think the detail was necessary, and Mr. Farrell described the information on bank premises that was available to the Division of Bank Operations from other sources. Mr. Smith described inspections made by the examiners in regard to space utilization and quality of building maintenance, and Mr. Larkin said he saw no basic inconsistency between such procedures and what Haskins & Sells was recommending. Some collateral steps are necessary to making a good examination and are followed by independent accountants. The items Haskins & Sells had listed here were of an illustrative nature. The essence of them was to look at the entire picture, reduce the work not necessary, and add such work as the Board might want to have performed in order to obtain specific information on various subjects.

Governor Robertson said he agreed completely with the tenor of the recommendations. There was too much detail in the reports, and he agreed with the principle of testing instead of massive verification.

Governor Balderston said he would like to know from the examiners whether, for example, some Banks had inadequate space, whether a Bank was assiduous in leasing excess space, and whether there was adequate inspection against fire hazards. This could be covered in a few sentences.

Mr. Farrell noted that the Division of Bank Operations had made a recent study on the cost of keeping up the Reserve Bank buildings, and it had records on space. Under a program Governors Mitchell and Shepardson had been talking to him about, the Division would be making more reports to the Board on such matters.

Governor Shepardson commented that it might be desirable to have comments in the examination reports on changes of occupancy, but tenants do not move often. Comments when there was a change would seem sufficient. A report of inspection of the way the Banks were maintaining their premises could be made briefly, but there was a lot of detail repeated year after year that was useless.

Mr. Larkin observed that Haskins & Sells had pointed out that much information was available to the Board from sources other than examinations. If the Board would like some type of examination assurance that the information being sent to the Board through other channels was accurate, the examiners could be charged with determining whether the reports made by the Banks during the year were accurate and so state in their report.

Governor Mills commented at this point that he was favorably impressed with the view that there was room for condensation in certain areas, assuming that if there was any change of major importance in a particular function the report on which had been condensed, it would be brought to the Board's attention.

Governor Mills then asked whether, as Haskins & Sells had observed the examinations, they were regarded as examinations or as audits, in the sense of audits made of commercial concerns by public accountants.

Mr. Larkin replied that the typical examination of a bank, that is, a directors' examination, usually included all of the procedures normally followed in the examination or audit of a commercial organization, plus certain specific appraisal-type functions similar to ones to which Mr. Solomon had referred. In most larger banks Haskins & Sells examined, it conducted the same type of work as for any other organization and, because of applicable statutes, it also appraised management and ascertained whether the directors appeared to be devoting sufficient time to the affairs of the bank. On the minus side, the firm did not always examine profit and loss accounts, because this was not required by most State statutes and some banks did not wish to incur the cost. In general, the amount of work done was no greater than an accountant would normally undertake if engaged by General Motors or any other organization. Ordinarily the procedures were practically the same.

There followed discussion of the factors involved in the general trend toward testing as contrasted with detailed verification. After describing changes over recent years in auditing practices, Mr. Robertson made the statement that reasonable testing did not impair the validity of an examination report.

Governor Mills inquired in this connection whether, if the Board's examiners resorted more to testing, it was felt that the internal auditors should also test rather than make complete physical verifications of items such as securities.

Mr. Robertson replied that in principle, if the internal auditors examined every item over $500, for example, and the examiners knew that, this should permit the examiners to cut down on the extent of their own testing.

Mr. Larkin added that the extent of testing at the lower levels of auditing should probably be greater. With each succeeding over-riding examination, the extent of testing could be reduced. The theory of testing called for having a large enough number of items under audit and selecting an appropriate quantity. If there was a pattern of irregularities in the total and enough items were tested, that pattern was almost certain to show up within the test. Any time anything less than full verification was performed, there was no assumption that there had not been one irregularity, but normally a single irregularity was not of great concern. General assurance could be obtained that the operation was functioning properly.

The discussion then reverted to the comments in the report of Haskins & Sells regarding specific phases of examinations.

As to cafeteria operations, Mr. Solomon said the Division of Examinations proposed to follow the recommendation of Haskins & Sells.

On the verification of cash, Haskins & Sells had noted that Treasury packages of new currency of denominations under $500 were block-counted only, without supporting piece counts. It was suggested that consideration might be given to verifying the contents of selected packages on a test basis.

Mr. Schaeffer pointed out that all packages coming into the Reserve Banks were split. A cut was made down the center of the blocks, which enabled the people verifying them to check out the straps of currency. This had been standard procedure with the Reserve Banks, who accepted the Treasury-sealed packages without breaking them. If, however, in their examination of the packages the examiners found any evidence of tampering, they would take apart that particular package and count it.

Governor Robertson expressed doubt that much would be gained by the additional procedure, particularly in view of the fact that the present procedure had worked out well. Mr. Farrell noted the danger of losing control by breaking the steel bands, and Mr. Larkin agreed that this was a good point.

On the check collection function, Mr. Solomon said the Division of Examinations thought the suggestions of Haskins & Sells were reasonable and was prepared to accept them.

Mr. Larkin brought out that his firm was not recommending elimination of the confirmation procedures now followed; just that they be put on a test basis.

On the custody department, Haskins & Sells had noted in its report that the examiners' present procedures provided for complete confirmation of securities held, but detailed inspection of approximately 10 per cent of such securities. The firm believed that the extent of confirmation need be no greater than the extent of inspection, but that examining procedures should continue to include some confirmation of accounts for which no securities were held. In addition, it was suggested that a lesser percentage than 10 per cent might be justified for both confirmation and inspection in view of the existing internal controls and internal auditing.

Mr. Smith said he thought the examiners would not wish to go below 10 per cent in this area, and Mr. Larkin responded that Haskins & Sells made no definite recommendation. It said "maybe," but the firm's survey was not extensive enough to enable it to decide definitely. It did feel that some curtailment of the confirmation procedure was justified, and perhaps the testing might be reduced. Mr. Smith commented that the extent of testing depended on the particular circumstances. The examining staff never had rigid tests that would always be used. Mr. Larkin agreed that the extent of testing might appropriately vary from Bank to Bank depending on internal control effectiveness.

Mr. Farrell inquired whether Haskins & Sells had in mind that periodically there would be a complete count to guard against collusive arrangements. Mr. Larkin replied that on the occasion of each test an independent selection would be made of the items to be tested, preferably a random selection. The same items would not be selected for testing each time. Over a period of years, in theory, everything that had not left the Banks would be tested.

Mr. Farrell commented that this was applicable to securities, but not currency, and he referred to currency held in storage for emergency purposes at the Salt Lake Branch. There followed comments on the procedures employed in verifying currency holdings of various denominations, except where cash was held under examiners' seal. Mr. Larkin expressed the understanding that such seals were broken by the examiners periodically. This was stated to be ordinarily the case, although the procedure had not been applied to the emergency cash held in custody at Salt Lake City.

Mr. Smith then noted that on securities the internal auditors made a complete count at least twice a year. He did not think, therefore, that the examiners were taking a great risk in applying a test basis. The whole theory of testing was to assure that people understood the controls and that custodians under dual control were rotated periodically.

Mr. Solomon commented that he did not regard testing as any panacea. If testing was used mechanically, there might be poor results. It is just an aid to judgment.

There followed comments by Mr. Brill and others on the theory of sampling, after which Mr. Larkin observed that two things had to be determined in advance. First, it was necessary to establish a precision limit, that is, a limit within which one was willing to assume a risk. Second, it was necessary to decide what degree of assurance was desired from the testing. For example, one might want 99 per cent assurance that the total error would not be greater than 5,000. The examiners' testing, he understood, had been of a judgmental type up to this point. The examiners thus far had not adopted any statistical sampling techniques, but they were considering them. Mr. Smith indicated that this was correct. Mr. Robertson noted that this was a difficult area when collusion was involved. A calculated risk must be taken.

On the verification of Reserve Bank earnings, Mr. Solomon observed that only a question of degree was involved between the current practices and those suggested by Haskins & Sells.

On the review of each Reserve Bank's emergency relocation program, Governor Robertson noted that this was a supervisory function that could be performed by any designated group, but it was convenient to have the review made by the examiners. He thought that it should be continued. Mr. Larkin said his firm could not quarrel with that reasoning.

As to the expense review, the Haskins & Sells report contained the following comments and recommendation:

> Presumably as a result of the Board's extreme concern regarding expenditures not directly related to the operations of the Banks, the examiners' procedures provide for the substantiation of every expenditure, other than those for payrolls. Such detailed examination is not required for purposes of adequate normal examination assurance, particularly in view of the systems of internal control and the complete audit of expenditures by the Banks' internal auditing departments. (Incidentally, in the case of branches, such audit is made by resident auditors and is duplicated by Main Office auditors, with the result that three separate audits of these expenditures are made.)
>
> We believe that the examiners' procedures can be curtailed substantially without any appreciable reduction in the assurances required by the Board. The examiners' present procedures provide for the examination of all vouchers and supporting documents, such as invoices, purchase orders, and receiving tickets. In addition, all canceled checks are inspected and compared with the expenditure record. Although inspection of all these documents on a test-basis

is essential to an adequate examination, the inspection of certain of them, such as receiving tickets, presumably contributes nothing toward the determination of whether the expenditure is compatible with the operations of the Banks.

In order to meet both the requirements of generally accepted auditing standards and the Board's desire for added assurance (which we understand is the case) that expenditures are consistent with the Bank's fundamental objectives, we suggest adoption of the following procedures:

1. Inspection of vouchers and supporting documents sufficient to meet generally accepted auditing standards.

2. Inspection of additional vouchers (and supporting documents only as necessary to obtain clarification of the purpose and nature of the expenditures) to determine their conformity to Board policy. These additional vouchers selected for inspection preferably should include all those relating to expenditures which have been charged to such accounts as contributions, membership dues, and bank relations activities.

In discussion, Mr. Solomon brought out that the expense review involved a combination of audit and supervisory-type functions. On the audit-type function, there was no problem, but the determination whether certain expenditures were proper for a Federal Reserve Bank was more complicated. He thought the Board probably would want the examiners to continue to do more than simply be sure that the vouchers were arithmetically correct. One possibility might be just to look at certain sensitive accounts. However, Mr. Schaeffer and his senior examiners pointed out that it did not take much more time to go beyond that and look at all accounts. The examiners could look at some of them very quickly, but they might find that there had been misclassifications;

that expenses that should have gone into sensitive accounts were not put in there. They felt they could get more assurance, without undue effort, by making sure not only that the sensitive accounts were subject to proper scrutiny but that even the others had been reviewed to make sure certain expenses had not been tucked in there inappropriately. Actually, every voucher was now being looked at in varying degree, and questions of propriety were given consideration. If an expenditure was obviously out of line, it was brought to the attention of the Reserve Bank or written up in the examination report; if doubtful, the examiners would bring it up with the Division Director, and he in turn might take the item up with the Board if there was sufficient reason. Mr. Solomon was inclined to think that in this rather sensitive area there was justification for continuing the present procedures, which did not involve undue work. The question of standards to be applied in the examiners' review could be tightened or relaxed according to the Board's wishes.

Asked whether this did not duplicate the work of the Bank auditors, Mr. Solomon said that in one sense it did, but in another it did not. When it came to questions of propriety, one must realize that the Bank auditor was part of the Reserve Bank organization. The examiners were not in that kind of situation.

Governor Mitchell expressed the view that to examine vouchers for paper clips and requisitions for ping pong balls was ridiculous. If such expenses were examined by the Bank auditors and re-examined on a test basis, taking only the sensitive items, he thought that was a defensible position. He was, however, bothered by the possibilities of conniving to defeat the purpose of proper classification.

Mr. Solomon commented that it would be hard to get at isolated instances through sampling.

Mr. Robertson said Haskins & Sells made its recommendation on the premise that the Bank auditors examined all the vouchers, including the details. The firm recognized that in this area the Board might wish to have maximum assurance, but it suggested that the examiners inspect vouchers (and supporting documents as necessary to obtain clarification of the purpose and nature of the expenditures) only in order to determine conformity with Board policy.

Governor Robertson observed that Haskins & Sells had suggested inspecting additional vouchers and supporting documents <u>only</u> as necessary to obtain clarification of the purpose and nature of the expenditures. He felt that use of the word <u>only</u> may have given the impression of cutting the procedures down too much.

Governor Mills said that since Messrs. Solomon, Smith, and Schaeffer felt that a proper recording could be done without too much effort, he thought it should be done. This was a sensitive area, and there could be misunderstandings and differences of judgment in the description of expenses. An example was the division of expenses between public relations and research and statistics. If an economist went to make a public visitation and speech, was that properly chargeable to public relations or research? This sort of thing could be multiplied in a great many areas. He thought the Division and the Board would want to have knowledge of those situations. He did not see how this could be done without the benefit of the discretionary judgment of the Division.

Governor Robertson said he did not think this was contrary to this recommendation. A matter of judgment was involved in deciding which expenditures to take a look at to see if they conformed to Board policy.

Governor Shepardson said that on sensitive classifications, there seemed to be no difference of opinion. They ought to be covered fully for the purpose of determining conformity with policy. On misclassification and the matter of hiding something, he wondered why sampling could not be depended upon to pick up misclassifications just the same as any other error.

Mr. Robertson replied that the Board might not want to have its examiners spend a lot of time on vouchers for typewriters. It would just want to make sure they were charged to accounts properly. This theory was reflected in the first paragraph of Haskins & Sells recommendation. On the second step, the Board might be satisfied if the examiners picked out only a certain percentage. But it was a matter of judgment as to how far the Board wanted to go in this sensitive area.

Governor Shepardson commented that there were a number of sensitive accounts, but others were not sensitive. On the latter, the examiners need examine only an appropriate sample. According to the whole theory of the sampling approach, this should provide adequate protection against misclassification.

Governor Mitchell said he took the recommendation to mean that there would not be other than sampling verification to determine whether charges were made to the right accounts.

Mr. Larkin said the first part of the recommendation meant doing what would normally be required in connection with an audit or examination. The second part was intended to provide the Board such added assurance in sensitive areas as it decided it needed. If the Board wished to have the examiners at least glance at every voucher, without the checking element, that was in the Board's discretion.

Governor Mitchell said he still came back to this question: if an expense was not charged to one of the sensitive accounts, it would not be included in the examiners' detailed review, but some might be misclassified. If such misclassification was not deliberate, he would of course have no apprehension; but if it was deliberate, that would be cause for concern.

Mr. Smith suggested that as a compromise it might be said that as a standard rule the examiners would only scrutinize accounts that were sensitive, but once in a while they would take a complete look so no one would get the idea the examiners were always going to look at only certain things.

Governor Daane observed that the internal auditors went a good deal beyond the matter of classification. Was it not in part a question of how much reliance was placed on them?

Governor Balderston said he was only concerned that by appropriate procedures any misclassifications be uncovered that were intended to hide something from public view that the Board ought to know about.

Governor Mitchell said he would go along with that, and Governor Daane agreed.

Governor Robertson suggested that this item be given further consideration as to implementation, and Chairman Martin said he thought that suggestion was appropriate.

No questions were raised as to the recommendations in the Haskins & Sells report with respect to procedures followed in examination of the fiscal agency department, insurance and fidelity bonds, indebtedness reports, leaves of absence, noncash collections, other assets and other liabilities, payrolls, or purchases and sales of securities.

As to loans and discounts, Governor Mitchell expressed the opinion that the directive to the Division of Examinations should recognize this function as a special situation. He did not want to discuss it at the moment, but when the Board came to the directive, he would like to see special reference made to it. On reserves of member banks and deferred availability accounts, Governor Mitchell said this was another place where some thought might be given to making special reference in the directive.

Mr. Smith noted that the reserve accounts were among the most revealing at the Federal Reserve Banks, because practically every transaction with a member bank goes through the reserve account. Because of the light thrown on operations of the Reserve Banks, he would be hesitant to do too little in examining the reserve accounts.

Mr. Larkin replied that the examiners would still do the work on a test basis. Here again there was the question of measuring the degree of risk against the time and effort required. There was also the question of the extent to which reliance was to be placed on the internal audit function. If the Reserve Banks did not have such fine internal procedures, supplemented by the work of the auditors, Haskins & Sells would not be recommending the things it was recommending.

Mr. Smith said the Division of Examinations recognized the philosophy embodied in the Haskins & Sells report and would accommodate the examining work to it. In some areas the Division might want to go even further than the recommendations.

As to the portions of the report dealing with review of the audit department, review of signatures, and procedural review, no questions were raised.

With reference to Mr. Solomon's suggestions regarding the contents of the examination report, Governor Mills observed that the Board would want to discuss this matter at some other time. Governor Daane indicated that he would like to check the suggestions against the reports in their present form. Chairman Martin noted that there was no reason to detain Messrs. Robertson and Larkin for such a discussion.

Governor Mitchell inquired whether there was a technique in general use for appraising objectively the quality of performance of an executive or administrator in a business organization.

Mr. Larkin replied that Haskins & Sells had specialists in organization and personnel on its management services advisory staff, but that to the best of his knowledge they did not have rigid criteria against which to measure an individual. They did measure over-all capabilities and balanced strengths against weaknesses, but this could not be reduced to a formula.

Governor Mitchell then inquired whether, if it was desired to form a judgment of management in terms of its acceptance of up-to-date methods of processing papers or running an establishment, this was considered a function of the auditor or an assignment calling for specialized review by a different type of personnel.

Mr. Larkin replied that when Haskins & Sells was engaged for such an assignment, the matter was handled differently from an audit engagement. The firm had specialists in systems and procedures, data processing, organization, and various other areas. In the course of an ordinary audit, if the auditors observed opportunities for improvement or found weaknesses in existing procedures--not only weaknesses in internal controls but inefficiencies in operations--these things would be reported. But if the firm was engaged specifically to make a management survey, the advisory services staff would be used.

Messrs. Robertson and Larkin then withdrew from the meeting.

Coordination among bank supervisory agencies (Item No. 1). Chairman Martin referred to a letter that Secretary of the Treasury Dillon had addressed jointly to the Chairman of the Board of Governors, the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation under date of March 3, 1964. With this letter the Secretary enclosed a copy of a letter that the President had addressed to him under date of March 2, 1964. In his letter the President expressed concern about reports of a lack of coordination of action and procedures among the Federal agencies charged with responsibility for the regulation of banks. He emphasized the importance, from the standpoint of over-all public policy, of following orderly procedures and working together to accomodate each other's views. He directed the Secretary, as the chief financial officer of the administration, to establish procedures that would insure that every effort was made by the bank supervisory agencies to act in concert and compose their differences.

In his letter of March 3, the Secretary of the Treasury requested that henceforth each of the bank supervisory agencies give notice and an opportunity to comment, on a confidential basis, to each of the other agencies and to the Secretary, ten working days prior to the public announcement of any rule, regulation, or policy that would be, or might be construed to be, in conflict with a presently effective rule, regulation, or policy of one of the other agencies. The giving by any agency of notice and the receipt by it of comments would imply no obligation that such comments would be accepted. On the other hand, it would imply an obligation that any comments received would be carefully considered and accommodated as practicable. The Secretary requested assent to this proposal and the name of the individual or office in each agency to whom notice or comments should be addressed.

Chairman Martin said he proposed to advise the Secretary of the Treasury of the Board's assent to the Secretary's proposal and that he proposed to designate Howard H. Hackley, General Counsel, as the individual on the Board's staff to whom notices or comments should be addressed.

There was no indication of disagreement on the part of other members of the Board.

A copy of the letter sent by Chairman Martin to Secretary Dillon later in the day is attached as Item No. 1.

The meeting then adjourned.

> Secretary's Note: 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:

Transfer

Gretchen Walrath, from the position of Clerk-Typist in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Research and Statistics, with no change in basic annual salary at the rate of $3,880, effective March 15, 1964.

Acceptance of resignations

Harris Loewy, Senior Economist, Division of Research and Statistics, effective at the close of business March 6, 1964.

George C. Maniatis, Economist, Division of International Finance, effective March 13, 1964.

Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 1
3/5/64

OFFICE OF THE CHAIRMAN

March 5, 1964.

Dear Doug:

Your letter of March 3, 1964 addressed to the heads of the three Federal bank supervisory agencies has been brought to the attention of the Board.

The Board is happy to assent to your proposal, which is essentially the procedure the Board has endeavored to follow in the past. It is suggested that notices and comments with respect to proposed rulings, regulations, or policies of the kind described in your letter be addressed to, or taken up with, Mr. Howard H. Hackley, General Counsel.

Sincerely yours,

Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

The Honorable C. Douglas Dillon,
Secretary of the Treasury,
Treasury Department,
Washington, D. C. 20220