

Minutes for March 26, 1964

To: Members of the Board

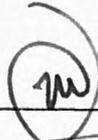
From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

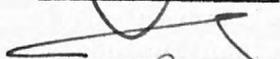
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

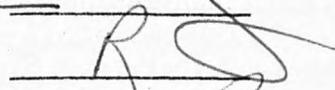
Chm. Martin



Gov. Mills



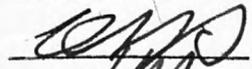
Gov. Robertson



Gov. Balderston



Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System
on Thursday, March 26, 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. Sherman, Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Cardon, Legislative Counsel
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. Hexter, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Kiley, Assistant Director, Division of
Bank Operations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mrs. Semia, Technical Assistant, Office of the
Secretary
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations
Mr. Sanders, Attorney, Legal Division
Mr. Hart, Personnel Assistant, Division of
Personnel Administration

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

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	<u>Item No.</u>
Letter to Farmers & Merchants Bank, Aberdeen, South Dakota, approving the establishment of a branch at 22 Fourth Avenue, S.W.	1
Letter to the Federal Deposit Insurance Corporation regarding the application of Old Capital Bank and Trust Company, Corydon, Indiana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	2
Letter to the Federal Deposit Insurance Corporation regarding the application of The Moffat County State Bank, Craig, Colorado, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.	3
Letter to the Federal Reserve Bank of San Francisco interposing no objection to Vice President Grove's lecturing at the Twelfth Technical Training Program of the Center for Latin American Monetary Studies in Mexico City during the period July 28-August 7, 1964, and the Bank's assuming his traveling expenses.	4
Letter to the Federal Reserve Bank of Dallas regarding the classification of member banks in the Eleventh District for the purpose of electing Class A and Class B directors.	5

Mr. Egertson then withdrew from the meeting.

Foreign operations. There had been distributed a memorandum dated March 20, 1964, from the Division of Examinations in connection with the application of Bank of America National Trust and Savings Association, San Francisco, California, for permission to establish a branch in Taipei, Taiwan, Republic of China. The Division recommended approval, but stated that a question was involved as to whether or not to continue the practice of requesting comments from the Comptroller of

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the Currency on applications relating to foreign operations of national banks. The Comptroller had not responded to several letters requesting his comments in recent months, and in a letter of February 26, 1964, his Administrative Assistant, Mr. Faulstich, referring to two letters requesting the Comptroller's comments on proposed investments by an agreement corporation, indicated that it would not be appropriate for the Office of the Comptroller to comment, on the ground that it did not have available sufficient information regarding the particular applications and the regulatory framework in which they were being considered. Attached to the memorandum were two drafts of letters. One, which would be addressed to the Comptroller of the Currency, would request comments on the Bank of America branch application, refer to the letter from Mr. Faulstich, review factors that had a bearing on such applications, and conclude with the statement that the Board would continue to invite the Comptroller's comments on such applications if he so desired but, if not, would discontinue that practice. The other draft letter, which would be addressed to Bank of America, would grant the Board's approval for the establishment of the Taipei branch.

After Mr. Goodman had outlined the background of the Board's practice in asking the Comptroller's views, initial comments by members of the Board expressed a preference for making no reply to the letter from Mr. Faulstich. As the discussion continued, however, a consensus crystalized that it would be well to reply to that letter for the sake

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of setting the record straight, since anyone not familiar with the underlying situation and practices who read Mr. Faulstich's letter could obtain an erroneous impression. There was discussion of the implications of Mr. Faulstich's letter in the light of the intention of the Comptroller of the Currency, announced a short time ago, to require national banks to obtain his approval for their overseas operations; his proposed regulation to implement that intention appeared to be a live issue. It was observed that notwithstanding Mr. Faulstich's letter, abandonment of the practice of requesting the Comptroller's comments would seem inappropriate in the light of the March 3, 1964, request of the Secretary of the Treasury for coordination of bank supervisory and regulatory policies.

At the conclusion of the discussion it was agreed that a response to Mr. Faulstich's letter should be sent to the Comptroller, but that it should be treated separately from the Bank of America branch application. The staff was requested to prepare a new draft of letter to the Comptroller in the light of today's discussion.

Action on the application of Bank of America National Trust and Savings Association for permission to establish a branch in Taipei was deferred pending further consideration of the letter to be sent to the Comptroller about the practice of inviting his comments on applications by national banks to establish overseas branches and on applications by Edge Act or agreement subsidiaries of national banks to make certain investments.

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Messrs. Shay and Goodman then withdrew from the meeting.

Reserve Bank budgets (Item No. 6). There had been distributed a draft of letter to the Federal Reserve Bank Presidents that would request, for reasons stated, that, effective with the budgets for the first half of 1965, the Banks adopt a procedure under which the current six-months period, rather than the year-ago six-months period, would be used as a comparative base. To facilitate the change for those Banks that were not already using that method, a newly-developed budget report form was enclosed that it was believed would meet most of the objections that had been raised against current-period comparisons.

Governor Mills, noting that about half of the Reserve Banks were submitting their budgets on a current-rate basis and the other half on a year-ago basis, questioned whether the terms of the letter might not have too much of the flavor of forcing the hand of the Banks that used the latter method. Staff responses indicated that the change to uniform current comparisons was being proposed after it had been determined through conversations between the Division of Bank Operations and the Reserve Banks that the change was generally acceptable; the proposed budget reporting form would not impose any substantial additional work burden on the Banks.

Governor Shepardson called attention to the fact that the instructions requested explanations of changes in projected expenses but not for differences between budgets and actual expenditures. While he would not advocate requiring explanations of minor differences, it seemed to him

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reasonable to ask information on differences that were substantial enough to be significant.

Mr. Farrell commented that a call for the information Governor Shepardson referred to had been omitted from the proposed form in an effort to make the transition in reporting methods as smooth as possible and to minimize necessary adjustments. However, the Reserve Banks would have to have that information in presenting their budgets to their directors, and having the reporting form call for the information would be a rather effective restoration of the budget experience report that had been dropped when six-month budgets were initiated. While the Division had thought the gap could be filled by comparison of functional expense reports, adopting Governor Shepardson's suggestion would make the task easier.

After further discussion the letter was approved unanimously, subject to changes in the instructions to reflect Governor Shepardson's suggestion. A copy of the letter in the form in which it was sent to the Reserve Bank Presidents is attached as Item No. 6.

Mr. Kenyon, Assistant Secretary, and Mr. Dembitz, Associate Adviser, Division of Research and Statistics, then entered the room.

Collective investment funds (Items 7, 8, and 9). There had been distributed a memorandum dated March 25, 1964, from the Legal Division, accompanied by a draft report, revised in the light of a discussion at the meeting on March 17, 1964, to Chairman Harris of the House Committee on Interstate and Foreign Commerce and Chairman Robertson of

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the Senate Committee on Banking and Currency, on H. R. 8499 and S. 2223, identical bills to provide for the regulation of collective investment funds maintained by banks.

Discussion disclosed general satisfaction among the members of the Board with the substance of the report. However, question was raised as to whether a copy of the report should be sent to the General Counsel of the Treasury pursuant to the spirit of the letter of March 3, 1964, from the Secretary of the Treasury establishing liaison machinery for the three Federal bank supervisory agencies to keep each other apprised of proposed rulings or regulations. It was pointed out that there were parallel situations with respect to the report on regulation of collective investment funds maintained by banks and the report on personal property leasing by banks that had been approved by the Board on March 20, 1964. It had been understood that a copy of the latter report would be sent to the General Counsel of the Treasury; however, it was brought out during discussion that the report had not yet been transmitted.

A consensus developed that the two reports should be accorded similar treatment.

The report on H. R. 8499 and S. 2223 was then approved unanimously. Copies of the letters to Chairmen Harris and Robertson are attached as Items 7 and 8. It was understood that copies of the report would be sent to the General Counsel of the Treasury, to the Office of the Comptroller of the Currency, and to the Federal Deposit Insurance Corporation. A copy of the transmittal communication is attached as Item No. 9.

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Reserve requirements. There had been distributed a memorandum dated March 16, 1964, in which Governor Balderston expressed the view that in present circumstances there would be much to be gained and little, if anything, to be lost from submitting to the Congress proposed legislation to rationalize reserve requirements. He had in mind a proposal along the lines of the recommendations of the President's Committee on Financial Institutions, which had been discussed by the Board in May 1963. Although it had not been felt at that time that it would be propitious for the Board itself to propose legislation, the situation had since changed in several ways. First, a number of bills bearing more or less directly on the subject had already been introduced by Congressman Patman, and therefore the Board no longer would be in the position of opening the subject. The Bureau of the Budget had informally advised that it would normally expect the Board to take the initiative in implementing this portion of the report of the Committee on Financial Institutions. Second, dropouts from the System to take advantage of the relatively favorable reserve treatment accorded nonmember insured banks were continuing at an undesirably high rate. Finally, there were unresolved problems with respect to reserve city designations that could be settled in a more rational fashion if the Board were on record in favor of a more equitable system of reserve requirements.

Specifically, Governor Balderston proposed that the staff be asked to prepare a memorandum pointing up the particular questions on

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which it would need further guidance from the Board in order to draft a bill that would extend reserve requirements, as determined by the Board, to all commercial banks. Such a bill would also make it possible for the Board to impose requirements on a graduated basis related to bank size, rather than geographical location. On the basis of the guidance received, the staff could prepare a bill and supporting analysis that could be discussed with other interested agencies and proposed to the Congress.

After discussion, the staff was instructed to undertake the project referred to in the memorandum.

Messrs. Young, Noyes, Brill, Farrell, Solomon, Dembitz, Kiley, and Leavitt then withdrew from the meeting.

Retirement System proposals. Mr. Johnson referred to material that had been distributed regarding recommendations for changes in the Retirement System of the Federal Reserve Banks that had been approved by the Conference of Presidents on January 28, 1964, and referred to the Board. The immediate question, Mr. Johnson said, was one of timing. If it would be possible for the Board to complete its study of the recommendations and arrive at a decision regarding them in time for the Board of Trustees to take action on them at its meeting in June, a July 1, 1964, effective date would be possible for those recommendations that were adopted. The effective date had a bearing on the administrative actions of the Reserve Banks with respect to imminent retirements; if it seemed

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probable that proposals providing increased benefits would be effective July 1, employees who otherwise might retire shortly before that date might be retained in service long enough to qualify for those benefits. Under present rules, the Reserve Banks had authority to defer retirements for 90 days beyond compulsory retirement age.

During discussion, Governor Mitchell raised the question whether there was reason for him and Governor Daane to abstain from participation in the decision on the Retirement System proposals on the ground that they might benefit from approval of such proposals. The Division of Personnel Administration and the Legal Division were requested to explore that question.

At the conclusion of the discussion it was agreed that the Board would consider the Retirement System proposals on April 7, 1964.

The meeting then adjourned.

Secretary's Notes: Attached as Item No. 10 is a copy of a letter sent today to the Federal Reserve Bank of Cleveland approving a special Grade 16 maximum of \$17,500 in the salary structure applicable to the Bank's head office. This action on the Bank's request reflected the indication in the Board's letter to the Reserve Banks of November 18, 1963 (approved by the Board on November 13, 1963), that such a special maximum would be approved for any Bank requesting it.

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

Letter to the Federal Reserve Bank of St. Louis (attached Item No. 11) approving the appointment of Larry J. Averett as assistant examiner.

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Memoranda from appropriate individuals concerned recommending the following actions relating to the Board's staff:

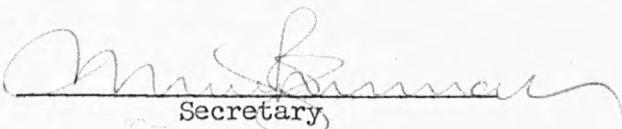
Salary increases

William R. McDonald, Building Maintenance Clerk, Division of Administrative Services, from \$5,490 to \$5,866 per annum, with a change in title to Supervisory Clerk, effective April 1, 1964.

Arthur S. Myers, Electrician-Operating Engineer, Division of Administrative Services, from \$7,301 to \$7,592 per annum, with a change in title to Mechanical Foreman, effective April 1, 1964.

Transfer

John D. Smith, from the position of Technical Assistant, Division of Bank Operations, to the position of Assistant to the Director, Division of Administrative Services, with an increase in basic annual salary from \$10,970 to \$11,725, effective upon assuming his new duties.


Secretary

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

Item No. 1
3/26/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964



Board of Directors,
Farmers & Merchants Bank,
Aberdeen, South Dakota.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Farmers & Merchants Bank, Aberdeen, South Dakota, of a branch at 22 Fourth Avenue, S.W., Aberdeen, South Dakota, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
3/26/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964

Honorable Joseph W. Barr,
Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429.

Dear Mr. Barr:

Reference is made to your letter of March 9, 1964, concerning the application of Old Capital Bank and Trust Company, Corydon, Indiana, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

No corrective programs which the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance have been urged upon or agreed to by the bank.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 3
3/26/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964



The Honorable Joseph W. Barr,
Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Barr:

Reference is made to your letter of March 5, 1964, concerning the application of The Moffat County State Bank, Craig, Colorado, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

While there are no corrective programs that the Board of Governors believes should be incorporated as conditions to the continuance of deposit insurance, the bank has been urged to strengthen its capital position.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 4
3/26/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964

AIR MAIL

Mr. Eliot J. Swan,
President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120.

Dear Mr. Swan:

Receipt is acknowledged of your letter of March 16 in which you stated that your Board of Directors had approved a request for Mr. David L. Grove to lecture at CEMLA during the period July 28-August 7, 1964, and that your Bank would assume his traveling expenses.

The matter has been brought to the attention of the Board, which interposes no objection to the arrangements outlined in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 5
3/26/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964

Mr. Watrous H. Irons, President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Irons:

This refers to the letter of March 10, 1964,
from Vice President and Secretary G. R. Murff concerning
the classification of member banks in the Eleventh
District for the purpose of electing Class A and Class B
directors.

It is noted that, after reviewing the present
classification, which has been in effect less than a year,
your Bank believes that it is satisfactory. The Board
concurs in this opinion, and will make no change in the
existing classification at this time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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Item No. 6
3/26/64

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

S-1908

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD
March 31, 1964



Dear Sir:

The Board's letter of February 7, 1963, (F.R.L.S. #3186) expressed the belief that Federal Reserve Bank budgets would be less complicated and more revealing if they were compared with the current rate of expenditures rather than with the same period of the previous year. At that time it was recognized that some of the Reserve Banks had reservations about adopting such a procedure and it was therefore suggested that experimentation with current rate comparisons on a voluntary basis might be helpful.

About half of the budgets are now being submitted on a current-rate basis and half on a year-ago basis. This difference of procedure has made it difficult to arrive at the amount of increase or decrease in the total System budget. For this reason, as well as for those indicated in its letter of February 7, 1963, the Board believes that it would be desirable for all Banks to adopt, effective with the budgets for the first half of 1965, the procedure under which the current period, rather than the year-ago period, will be used as a comparative base for the budgets.

To facilitate this change with a minimum of inconvenience to those Banks that find year-ago comparisons helpful in presenting the budgets to their Directors, a new budget report form has been developed and is enclosed herewith. It is believed that this form will meet most of the objections that have been raised against comparisons with the current period. It is hoped that the new form will result in more accurate budget estimates, afford better inter-Bank comparisons, and simplify preparation of the budgets.

Instructions for the new form are also enclosed, along with an illustration of its use. The Accounting Manual will be revised to provide for submission of the budgets on this form effective with the first half of 1965; however, the Board would appreciate the use of the new form in submitting the budgets for the second half of 1964 if it is convenient for your Bank to do so.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL
RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 7
3/26/64

OFFICE OF THE CHAIRMAN

March 26, 1964.



The Honorable Oren Harris, Chairman,
Committee on Interstate and Foreign Commerce,
House of Representatives,
Washington, D. C. 20515

Dear Mr. Chairman:

This is in response to your request for the Board's views on H. R. 8499, a bill to provide for the regulation of collective investment funds maintained by banks.

Prior to the repeal of section 11(k) of the Federal Reserve Act on September 28, 1962, the Board of Governors exercised authority with respect to trust powers of national banks. During the period of the Board's jurisdiction, section 17 of its Regulation F confined participation in common trust funds to situations where the bank was acting as a trustee, executor, administrator or guardian for "true fiduciary purposes." While the Board offers no opinion at this time as to the wisdom of enlarging the scope of common trust funds to serve certain investment purposes, it firmly believes that, if the concept is so broadened, any fund whose operations would involve the public offering of "securities" within the purview of the Federal securities laws, in their present form, should be subject to those laws and to the jurisdiction of the Securities and Exchange Commission thereunder.

An apparent purpose of H. R. 8499 is to provide investors with information upon which intelligent investment decisions can be made. For the following reasons the Board believes that the function of investor protection can best be effected by a uniform statutory and regulatory plan administered by a single Governmental agency--the Securities and Exchange Commission--as to all investments of a similar nature:

(a) To facilitate intelligent investment decisions, the information presented to investors should be readily comparable for all investments of a similar nature. The best means of assuring availability

The Honorable Oren Harris

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of comparable information is for all investment media of a similar nature to be subject to the same laws and regulations, enforced by the same agency. Passage of H. R. 8499 would, to the contrary, result in the following:

(1) The law itself would not require the same information to be presented to investors in banks' collective investment funds as is required for collective investment funds subject to the Securities Act of 1933 and the Investment Company Act of 1940.

(2) Two separate agencies would be authorized to issue regulations controlling the presentation of information to investors--the Comptroller of the Currency for collective investment funds of banks; the SEC for all other collective investment funds.

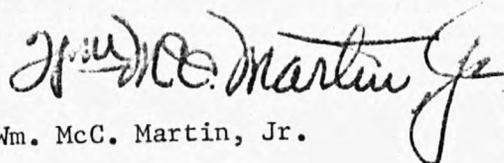
(3) Four agencies would exercise enforcement powers affecting investor protection for similar investments. As to collective investment funds subject to Federal securities laws, the SEC would have enforcement powers; as to collective investment funds of banks, however, enforcement responsibility would be divided among the three Federal bank supervisory agencies. Diffusion of enforcement power is as objectionable in this area as division of regulatory power, for divergent interpretations and requirements could result in divergent presentations of information to the public. This not only would make comparison more difficult but also might result in investors reaching invalid conclusions.

It might also be noted that, incidental to such diffusion of regulatory and enforcement powers, a substantial increase in the aggregate cost of administration would seem to be inevitable.

(b) There is already existing an agency, the SEC, that is expert in the function of investor protection. It seems clear to the Board that the existing competence of the SEC should be utilized to benefit investors in banks' collective investment funds to the same extent as in the case of comparable investment media.

The Board accordingly recommends against enactment of H. R. 8499.

Sincerely yours,



Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
3/26/64

OFFICE OF THE CHAIRMAN

March 26, 1964.

The Honorable A. Willis Robertson,
Chairman, Committee on Banking and Currency,
United States Senate,
Washington, D. C. 20510

Dear Mr. Chairman:

This is in response to your request for the Board's views on S. 2223, a bill to provide for the regulation of collective investment funds maintained by banks.

Prior to the repeal of section 11(k) of the Federal Reserve Act on September 28, 1962, the Board of Governors exercised authority with respect to trust powers of national banks. During the period of the Board's jurisdiction, section 17 of its Regulation F confined participation in common trust funds to situations where the bank was acting as a trustee, executor, administrator or guardian for "true fiduciary purposes." While the Board offers no opinion at this time as to the wisdom of enlarging the scope of common trust funds to serve certain investment purposes, it firmly believes that, if the concept is so broadened, any fund whose operations would involve the public offering of "securities" within the purview of the Federal securities laws, in their present form, should be subject to those laws and to the jurisdiction of the Securities and Exchange Commission thereunder.

An apparent purpose of S. 2223 is to provide investors with information upon which intelligent investment decisions can be made. For the following reasons the Board believes that the function of investor protection can best be effected by a uniform statutory and regulatory plan administered by a single Governmental agency--the Securities and Exchange Commission--as to all investments of a similar nature:

(a) To facilitate intelligent investment decisions, the information presented to investors should be readily comparable for all investments of a similar nature. The best means of assuring availability of comparable information is for all investment media of a similar nature to be subject to the same laws and regulations, enforced by the same agency. Passage of S. 2223 would, to the contrary, result in the following:

The Honorable A. Willis Robertson -2-

(1) The law itself would not require the same information to be presented to investors in banks' collective investment funds as is required for collective investment funds subject to the Securities Act of 1933 and the Investment Company Act of 1940.

(2) Two separate agencies would be authorized to issue regulations controlling the presentation of information to investors--the Comptroller of the Currency for collective investment funds of banks; the SEC for all other collective investment funds.

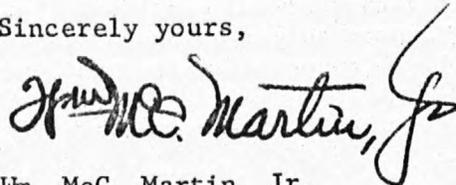
(3) Four agencies would exercise enforcement powers affecting investor protection for similar investments. As to collective investment funds subject to Federal securities laws, the SEC would have enforcement powers; as to the collective investment funds of banks, however, enforcement responsibility would be divided among the three Federal bank supervisory agencies. Diffusion of enforcement power is as objectionable in this area as division of regulatory power, for divergent interpretations and requirements could result in divergent presentations of information to the public. This not only would make comparison more difficult but also might result in investors reaching invalid conclusions.

It might also be noted that, incidental to such diffusion of regulatory and enforcement powers, a substantial increase in the aggregate cost of administration would seem to be inevitable.

(b) There is already existing an agency, the SEC, that is expert in the function of investor protection. It seems clear to the Board that the existing competence of the SEC should be utilized to benefit investors in banks' collective investment funds to the same extent as in the case of comparable investment media.

The Board accordingly recommends against enactment of S. 2223.

Sincerely yours,

A handwritten signature in cursive script, reading "Wm. McC. Martin, Jr.", with a large flourish at the end.

Wm. McC. Martin, Jr.

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964

- TO:
- G. d'Andelot Belin, General Counsel,
Department of the Treasury.
 - A. J. Faulstich, Administrative Assistant
to the Comptroller,
Office of the Comptroller of the Currency.
 - William M. Moroney, General Counsel,
Federal Deposit Insurance Corporation.

Enclosed are copies of reports being submitted by the Board of Governors to Chairmen of Congressional Committees on proposed legislation as follows:

- (1) To the Honorable Abraham J. Multer, Chairman of the Subcommittee on Bank Supervision and Insurance of the House Banking and Currency Committee, on H. R. 9822, a bill to prohibit banks from engaging in personal property leasing.
- (2) To the Honorable A. Willis Robertson, Chairman of the Senate Banking and Currency Committee, on S.2223, and to the Honorable Oren Harris, Chairman of the Committee on Interstate Commerce of the House of Representatives, on H. R. 8499, identical bills to provide for the regulation of collective investment funds maintained by banks.

These reports to Congressional Committees do not fall squarely within the terms of the letter from the Secretary of the Treasury dated March 3, 1964 to the heads of the three Federal bank supervisory agencies requesting that each such agency give notice and opportunity to comment, on a confidential basis, to each of the other agencies and the Secretary of the Treasury ten working days prior to public announcement of any rule, regulation, or policy that might be construed to be in conflict with an existing rule, regulation, or policy of one of the other agencies. Some parts of the reports do, however, touch upon the general question of views expressed by the different agencies. Accordingly, copies are being sent to each of the individuals designated in the letter from the Secretary of the Treasury dated March 13, 1964, in order that all agencies may be promptly informed of the views expressed by the Board in these Congressional reports.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosures
cc: Howard H. Hackley

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 10
3/26/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964



CONFIDENTIAL (FR)

Mr. W. Braddock Hickman, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101.

Dear Mr. Hickman:

The Board of Governors has approved a special grade 16 maximum of \$17,500 in the salary structure applicable to the Head Office of the Federal Reserve Bank of Cleveland, effective immediately, as requested in Mr. Thompson's letter of March 17, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

1044

Item No. 11
3/26/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 26, 1964

Mr. O. O. Wyrick, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri 63166.

Dear Mr. Wyrick:

In accordance with the request contained in your letter of March 19, 1964, the Board approves the appointment of Larry J. Averett as an assistant examiner for the Federal Reserve Bank of St. Louis. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.