



Minutes of the Board of Governors of the Federal Reserve System on Friday, April 3, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman  
Mr. Robertson  
Mr. Shepardson  
Mr. Daane

Mr. Sherman, Secretary  
Mr. Noyes, Adviser to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Holland, Associate Director, Division of Research and Statistics  
Mr. Partee, Adviser, Division of Research and Statistics  
Mr. Furth, Adviser, Division of International Finance  
Mr. Hersey, Adviser, Division of International Finance  
Mr. Katz, Associate Adviser, Division of International Finance  
Mrs. Semia, Technical Assistant, Office of the Secretary  
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics  
Mr. Keir, Chief, Capital Markets Section, Division of Research and Statistics  
Mr. Bernard, Economist, Division of Research and Statistics  
Mr. Baker, Economist, Division of International Finance  
Mr. Gekker, Economist, Division of International Finance

Money market review. Messrs. Bernard and Partee reported on conditions in the Government securities and capital markets and on the course and effect of Federal Reserve open market operations. Several tables were distributed to illustrate the information presented. Mr. Baker then commented on international developments, especially with reference to foreign exchange markets.

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All of the members of the staff except Messrs. Sherman, Cardon, and Fauver and Mrs. Semia then withdrew, and the following entered the room:

Mr. Hackley, General Counsel  
Mr. Farrell, Director, Division of Bank Operations  
Mr. Solomon, Director, Division of Examinations  
Mr. Kenyon, Assistant Secretary  
Mr. O'Connell, Assistant General Counsel  
Mr. Leavitt, Assistant Director, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Atlanta on April 1, 1964, and by the Federal Reserve Banks of New York, Philadelphia, and San Francisco on April 2, 1964, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

Low-numbered \$1 Federal Reserve notes (Item No. 1). There had been distributed a draft of telegram to the Federal Reserve Bank Presidents that would state that the Board would interpose no objection to the action by the Conference of Presidents on March 2, 1964, with respect to distribution of low-numbered \$1 Federal Reserve notes. The procedure approved by the Conference provided that (1) each head office would retain its No. 1 note (except that St. Louis would retain No. 3, as Nos. 1 and 2 were replaced by star numbers); (2) notes would be arranged in sets of like serial numbers starting with the lowest complete set available, with sufficient sets to fill all Reserve Bank requests; sets would be allocated to Federal Reserve Banks in district

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order according to a schedule submitted by the Subcommittee on Cash, Leased Wire and Sundry Operations; (3) each Reserve Bank would hold until June 1, 1964, the remaining low-numbered notes to meet any additional requests from other Reserve Banks; and (4) after June 1, 1964, the remaining notes would be mixed with other notes.

After Mr. Farrell, at the Board's request, had described the circumstances on which the action of the Presidents' Conference was based, the telegram was approved unanimously. A copy is attached as Item No. 1.

Private money orders (Item No. 2). There had been distributed a memorandum dated April 2, 1964, from Mr. Bakke, Assistant Secretary, regarding a letter of March 20, 1964, in which Chairman Robertson of the Senate Committee on Banking and Currency referred to the recent failure of a company in Los Angeles that had engaged extensively in the issuance of money orders, and asked for information on the extent to which similar operations were being conducted. The Board had no pertinent information available, nor did certain other organizations that the staff had asked. Therefore, it was proposed that the Federal Reserve Banks be requested to develop and furnish to the Board whatever information could be obtained without exhaustive investigation. Attached to the memorandum was a draft of letter that would make that request, suggesting that the search be limited at this time to the Bank's own offices and inquiries of State banking authorities.

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During discussion reference was made to a meeting that had been held at the Bureau of the Budget on April 1, 1964, attended by representatives of several agencies to which Chairman Robertson had addressed inquiries about the practice of issuing private money orders. It was expected that another such meeting would be held, and that the information gathered would be coordinated.

Suggestions were made as to possible sources of information and ways in which the requested inquiry might be somewhat broadened. The letter to the Reserve Bank Presidents was then approved unanimously, with the understanding that it would be revised to reflect the suggestions made. A copy of the letter in the form transmitted to the Presidents is attached as Item No. 2.

Request for examination report data (Item No. 3). There had been distributed a memorandum dated April 2, 1964, from the Legal Division regarding a request from the San Francisco office of the Federal Bureau of Investigation for access to portions of certain reports of examination of Farmers and Merchants Bank of Long Beach, Long Beach, California. The memorandum commented on recent legal actions involving one or more officers of the bank, and the circumstances in which in May 1961 the Board had granted, with restrictions, a substantially similar request from the Bureau involving the same State member bank. It was recommended that the current request be granted, subject to the same general terms and conditions. Attached to the



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memorandum was a draft of telegram to the Federal Reserve Bank of San Francisco that would carry out that recommendation.

The telegram was approved unanimously; a copy is attached as Item No. 3.

Application of Wells Fargo Bank. Governor Robertson reported that Mr. Harry J. Harding, President, The First National Bank of Pleasanton, Pleasanton, California, had telephoned regarding his opposition to the establishment of a branch in the San Ramon Village Shopping Center, in an unincorporated area of Alameda County, by Wells Fargo Bank, San Francisco, California. Mr. Harding had informed the Federal Reserve Bank of San Francisco of his opposition, had sent the Board information regarding his position, and wished to confer personally with the Board's staff, but could not, without inconvenience, do so before April 13, 1964. The application was almost ready for submission to the Board for decision, but Governor Robertson understood that there appeared to be no circumstances pointing to a need for urgency. He raised the question whether the Board saw any objection to delaying a decision on the application until after Mr. Harding was able to visit the Board's offices.

During discussion it was brought out that if the information Mr. Harding presented was deemed significant, the Board might wish to give it to Wells Fargo Bank to enable it to comment in writing on Mr. Harding's representations, which would occasion further delay in processing the application. Other comments dealt with the general

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question of processing branch applications, the extent to which delays occurred, coordination with action by State authorities, and means taken for expediting applications when a need for special promptness was known.

At the conclusion of the discussion it was agreed that Mr. Harding would be accorded the opportunity he requested to present his views orally to the Board's staff.

The meeting then adjourned.

Secretary's Notes: On April 2, 1964, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Division of Research and Statistics dated March 19, 1964, recommending that leave with pay be granted to Frank de Leeuw, Economist in that Division, for a period of nine months beginning about September 1, 1964, so that he might fulfill residence requirements for the Ph.D., Economics degree from Harvard University.

Memorandum from Clayton B. Stinson, Messenger, Division of Administrative Services, requesting permission to work part time for a local cab company.

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

Memorandum from Messrs. Noyes, Adviser to the Board, and Brill, Director of the Division of Research and Statistics, dated March 31, 1964, recommending that arrangements be completed with the Bureau of the Census to draw a probability sample for the new national report on departmental sales at department stores at an estimated cost of \$2,500. This action constituted approval of the resulting overexpenditure in the Contractual Professional Services account of the 1964 budget of the Division of Research and Statistics.

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

#### Appointment

George P. Roniger as Economist, Division of International Finance, with basic annual salary at the rate of \$7,490, effective the date of entrance upon duty.

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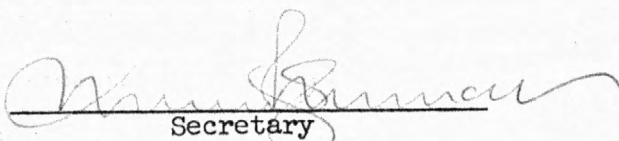
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Salary increase

James E. Miller, Operator, Tabulating Equipment (Trainee), Division of Data Processing, from \$3,880 to \$4,215 per annum, the word "Trainee" to be deleted from the title of his position, effective April 12, 1964.

Transfer

Gay Linda Eiler, from the position of Statistical Clerk in the Division of Research and Statistics to the position of Statistical Clerk in the Division of Data Processing, with an increase in basic annual salary from \$4,090 to \$4,355, effective April 12, 1964.

  
Secretary



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**T E L E G R A M**  
LEASED WIRE SERVICE

Item No. 1  
4/3/64

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON**

April 3, 1964

**TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS:**

Board will interpose no objection to action of March 2, 1964, Conference of Presidents with respect to distribution of low numbered \$1 Federal Reserve notes. When forwarding your Bank's number 21 note to Board of Governors, charge Federal Reserve Bank of Richmond in Interdistrict Settlement Fund clearing for account of Board of Governors.

(Signed) Merritt Sherman

SHERMAN



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

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Item No. 2  
4/3/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 3, 1964.

Dear Sir:

As a consequence of the recent publicity given to the bankruptcy of a company in Los Angeles that had engaged extensively in the issuance of private money orders, Senator Robertson, Chairman of the Senate Banking and Currency Committee, directed a letter to several interested Federal departments and agencies, including the Board, asking for a study of the matter in order to determine whether any Federal legislation is necessary or desirable. A copy of Senator Robertson's letter is enclosed.

There appears to be no readily available source of collected information on this subject, but it is reasonable to presume that the State banking authorities might have some idea of the number of these firms operating in their States, the extent of such operations, and whether they are subject to supervision by the State banking agency or any other State agency. Accordingly, it would be appreciated if you would furnish the Board with whatever facts you may be able to develop on such operations in your District--particularly with respect to the number and identity of issuers of money orders as may be evidenced by those coming through your Bank--along with any general comments you may have on the subject.

At the present time, there appears to be no particular need to pursue this question beyond providing information already available within your Bank and making inquiry of the State officials.

Very truly yours,

A handwritten signature in dark ink, appearing to read "Merritt Sherman".

Merritt Sherman,  
Secretary.

Enclosure

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

**TELEGRAM**  
**BOARD OF GOVERNORS**  
**OF THE**  
**FEDERAL RESERVE SYSTEM**  
**LEASED WIRE SERVICE**  
**WASHINGTON**

Item No. 3  
4/3/64

April 3, 1964.

Galvin - San Francisco

Reurtel April 1 regarding request by San Francisco Office of Federal Bureau of Investigation for access to information contained in 31, February 29, 1960 and July/1961 reports of examination of the Farmers and Merchants Bank of Long Beach, and in line tickets prepared during these examinations. It is understood that the information sought relates to loans made by the bank which are referred to in your telegram. Pursuant to section 261.2(c) of Board's Rules of Organization and Procedure, Board authorizes your discussing with representatives of the FBI the loans in question and, if necessary, such other loans as are specifically identified and shown to be involved in FBI's investigation. Authorization herein contemplates, if necessary, your showing to FBI particular portions of the open section of February 29, 1960 and July 31, 1961 reports of examination of F and M Bank wherein loans under discussion are mentioned. You are also authorized to show to FBI examiners' line tickets relating to particular loans. FBI should be advised that any information obtained is to be used by Department of Justice only as investigation leads and is not to be used as evidence before a grand jury or in any court proceeding. Authorization herein does not contemplate access by FBI to the confidential sections of

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reports of examination nor to portions of open sections of such reports other than as herein authorized. Suggest that you may wish to have member of your Legal Department present during conversations with FBI.

(Signed) Merritt Sherman

Sherman