

Minutes for June 5, 1964

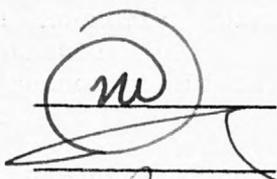
To: Members of the Board
From: Office of the Secretary

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

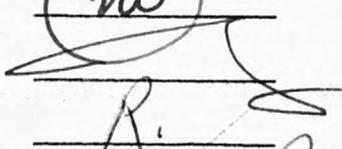
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

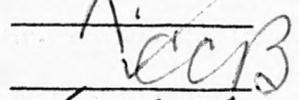
Chm. Martin



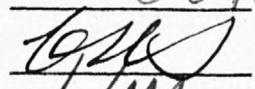
Gov. Mills



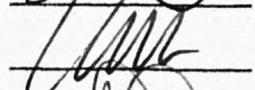
Gov. Robertson



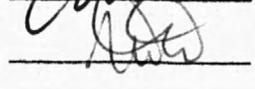
Gov. Balderston



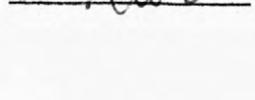
Gov. Shepardson



Gov. Mitchell



Gov. Daane



Minutes of the Board of Governors of the Federal Reserve System on Friday, June 5, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Mills
Mr. Shepardson
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
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. Sammons, Adviser, Division of International Finance
Mr. Katz, Associate Adviser, Division of International Finance
Mr. Eckert, Chief, Banking Section, Division of Research and Statistics
Mr. Bernard, Economist, Division of Research and Statistics
Mr. Baker, Economist, Division of International Finance

Money market review. Mr. Bernard commented on developments in the Government securities market, Mr. Partee reviewed recent banking and monetary developments, and Mr. Baker summarized the situation in the foreign exchange markets. Materials distributed to the Board and referred to by the speakers during the course of their remarks included a summary of monetary developments in the five weeks ended June 3, 1964,

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two tables on the maturity distribution of outstanding negotiable certificates of deposit, and a table showing changes in loans and investments at weekly reporting member banks for selected periods.

All of the members of the staff who had been present except Messrs. Sherman, Kenyon, Fauver, Brill, and Furth 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. Shay, Assistant General Counsel
Mr. Dembitz, Associate Adviser, Division of
Research and Statistics
Mr. Daniels, Assistant Director, Division of Bank
Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Sette, Chief, Economic Editing, Division of Research
and Statistics
Mr. Collier, Assistant to the Director, Division of Bank
Operations
Mr. Egertson, Supervisory Review Examiner, Division of
Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, Minneapolis, and San Francisco on June 4, 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.

Distributed 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 First National City Overseas Investment Corporation, New York, New York, granting permission to purchase shares of Forjas de Colombia, S. A., Colombia.	1
Letters to First National City Overseas Investment Corporation, New York, New York, Irving International Financing Corporation, New York, New York, and The Company for Investing Abroad, Philadelphia, Pennsylvania, granting permission to purchase shares of ADELA Investment Company, S. A., a proposed Luxembourg corporation.	2-4

In discussion preceding approval of Items 2-4, Mr. Goodman pointed out that the letters from the Board would grant consent to the proposed investments in shares of ADELA Investment Company, S. A., Luxembourg, subject to the understanding that ADELA would not maintain any branch, agency, office, or representative in the United States and that it would not engage or participate in the underwriting, sale, or distribution of securities in the United States.

Mr. Shay, although not arguing against approval of the proposed investments, commented that it was understood that ADELA would join together American, European, Canadian, and Japanese investors in a multinational corporation aimed at making equity investments in private ventures in Latin America. He suggested that it might be rather difficult to say whether this would result in a furthering of the foreign commerce of the United States, at least in a direct sense. In fact, if the Latin American ventures proved successful, conceivably this might result in a diminution of U. S. exports.

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Governor Mills said he felt Mr. Shay had raised a question that deserved study. He referred, however, to the recent report of a Presidentially-appointed group that was directed in part at means of reducing the flow of funds from the United States into foreign securities. The ADELA concept seemed to fit into that kind of plan and program.

Mr. Furth commented that it was the general philosophy of U. S. foreign policy that the industrialization of Latin America would work eventually to promoting the foreign commerce of the United States. Accordingly, he would not be disturbed in that respect by the proposed investments. However, it would work counter to the objective of increasing European participation in ventures of this kind if an organization such as ADELA sold securities in the United States. This would be the likely purpose of establishing an office in the United States. Therefore, he supported the inclusion in the draft letters of the language referred to earlier by Mr. Goodman.

Report on competitive factors (Portland-Lake Oswego, Oregon). A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Citizens Bank of Oregon, Lake Oswego, Oregon, into United States National Bank of Oregon, Portland, Oregon, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The effect of the proposed merger of United States National Bank of Oregon, Portland, and Citizens Bank of Oregon, Lake Oswego, would be adverse since it would eliminate direct competition presently existing between the two banks and increase the heavy concentration of banking resources in the State's two largest banks.

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Messrs. Shay and Egertson then withdrew from the meeting.

Article on reduced reserves. With a covering memorandum from the Division of Bank Operations dated June 3, 1964, there had been distributed a draft of an article proposed for inclusion in the June 1964 issue of the Federal Reserve Bulletin on the granting to banks in reserve cities of permission to carry reduced reserves. The understanding that such an article would be prepared dated back to discussion at the Board meeting on May 23, 1963, and the decision by the staff to suggest its publication in the June issue rather than later this year (when a listing of reserve city banks would normally be published) reflected subsequent discussions by the Board relating to requests to carry reduced reserves, most recently at the meeting on April 16, 1964.

In commenting on the matter, Mr. Farrell recalled that some time ago there had been a suggestion that the Board might consider granting permission to carry reduced reserves almost automatically to member banks with net demand deposits of less than a certain amount. As an alternative to proceeding along those lines, the Board wrote to the Reserve Bank Presidents requesting their views on the standards employed in considering requests for permission to carry reduced reserves and on whether it would be desirable for the Reserve Banks to take the initiative in suggesting the submission of requests by banks that almost certainly would qualify for reduced reserves under any standards that might be used. There was a mixed reaction on the latter point, and after further consideration it

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was felt that the objective of calling attention to the possibility of submitting requests in certain circumstances might be achieved by the publication of an article in the Federal Reserve Bulletin.

Consideration was given to a question by Mr. Brill as to whether the draft article was sufficiently pointed to achieve the purpose, but it was the consensus that the draft went about as far as would be desirable. It was noted that the article probably would be brought to the attention of member banks by the staffs of Reserve Banks that might be interested in pursuing the matter.

Accordingly, subject to a change suggested by Mr. Hackley in the interest of accuracy and such other editorial changes as might be found appropriate, the publication of the article in the June Bulletin was authorized.

Travel by Mr. Furth. As recommended in a distributed memorandum dated June 4, 1964, from Mr. Young, Adviser to the Board and Director, Division of International Finance, Mr. Furth, Adviser in the Division of International Finance, was authorized to travel to Paris, France, to attend a meeting on June 10, 1964, of a working group of the Deputies of the Group of Ten dealing with the supply of information bearing on the financing of payments surpluses and deficits, with reimbursement on the basis of actual necessary travel expenses. It was understood that Mr. Furth would serve as an adviser to Mr. George Willis of the Treasury, the U. S. representative at the meeting, and that he would serve generally as an observer on behalf of the Federal Reserve.

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In view of comments by Governor Daane and Mr. Furth that reflected some degree of uncertainty as to the scope of matters that might be covered at the meeting, including the question whether the group would deal with the availability of current data on System foreign exchange operations or with prospective changes in swap agreements, it was understood that upon his return Mr. Furth would confer with Governor Daane to decide what type of report on the meeting, either to the Board or the Open Market Committee, might seem indicated.

All of the members of the staff then withdrew and the Board went into executive session.

Personnel matters. Following the executive session, Governor Shepardson informed the Secretary that the Board had accepted the resignation, effective the close of business June 10, 1964, of M. H. Schwartz, Director, Division of Data Processing, to accept a position with the Department of Commerce.

Governor Shepardson also informed the Secretary that during the executive session the Board approved the appointment of Reed J. Irvine, Chief of the Asia, Africa, and Latin America Section, Division of International Finance, as Associate Adviser in that Division, effective June 8, 1964, with annual salary at the rate of \$20,000.

The meeting then adjourned.

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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:

Salary increases, effective June 7, 1964

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Ruth W. Eschmeyer, Senior Records Clerk		\$5,170	\$5,330
Dorothy L. Saunders, Secretary		5,170	5,330
<u>Research and Statistics</u>			
Helene F. Baur, Statistical Assistant		6,635	7,160
Catherine Cole, Secretary		4,215	4,690
JoAnn C. Corrado, Clerk-Stenographer		4,215	4,355
Reba C. Driver, Statistical Assistant		6,285	6,460
Irene Fender, Statistical Clerk		4,090	4,355
Mary F. Green, Statistical Clerk		4,495	4,635
Emily Last, Programmer		4,690	4,850
Alfred Tella, Economist		9,530	10,310
Penny Winters, Statistical Assistant (change in title from Statistical Clerk)		4,495	4,850
<u>International Finance</u>			
Kathleen Alexander, Clerk-Stenographer		4,215	4,355
Fred B. Ruckdeschel, Economist		7,260	7,490
<u>Examinations</u>			
Alex J. Harris, Jr., Assistant Review Examiner		8,410	8,690
<u>Data Processing</u>			
Concetta M. Nobile, Clerk-Typist		3,880	3,985
<u>Administrative Services</u>			
Frances E. Willis, Charwoman		3,620	3,725

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Acceptance of resignation

Gail E. Mullin, Economist, Division of Research and Statistics,
effective at the close of business June 12, 1964.


Secretary

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Item No. 1

6/5/64

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 5, 1964.



First National City Overseas
Investment Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request contained in your letter of April 29, 1964, transitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to purchase and hold 500,000 shares, par value Pesos 10 per share, of Forjas de Colombia, S. A., Colombia, at a cost of approximately US\$505,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of Forjas de Colombia, S. A., within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 5, 1964.



First National City Overseas
Investment Corporation,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request contained in your letter of April 29, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to purchase and hold up to 50 shares, par value US\$10,000 each, of ADELA Investment Company, S.A., Luxembourg, at a cost of approximately US\$500,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of ADELA Investment Company, S.A., within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The descriptive memorandum on ADELA furnished with your letter stated that the head office of ADELA will be located in Luxembourg, and branch offices will probably also be maintained elsewhere in Europe and in the United States.

In the circumstances, the Board's consent is given with the understanding that ADELA will not maintain any branch, agency, office, or representative in the United States and that ADELA will not engage or participate in the underwriting, sale, or distribution of securities in the United States.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 3
6/5/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 5, 1964.

Irving International Financing Corporation,
One Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request contained in your letter of May 15, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to purchase and hold up to 25 shares, par value US\$10,000 each, of ADELA Investment Company, S. A., Luxembourg, at a cost of approximately US\$250,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of ADELA Investment Company, S. A., within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The descriptive memorandum on ADELA furnished with your letter stated that the head office of ADELA will be located in Luxembourg, and branch offices will probably also be maintained elsewhere in Europe and in the United States.

In the circumstances, the Board's consent is given with the understanding that ADELA will not maintain any branch, agency, office, or representative in the United States and that ADELA will not engage or participate in the underwriting, sale or distribution of securities in the United States.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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Item No. 4
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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 5, 1964.



The Company for Investing Abroad,
Fidelity Philadelphia Trust Building,
Philadelphia 9, Pennsylvania.

Gentlemen:

In accordance with the request contained in your letter of May 7, 1964, transmitted through the Federal Reserve Bank of Philadelphia, and on the basis of information furnished, the Board of Governors grants consent for your Corporation to purchase and hold up to 50 shares, par value US\$10,000 each, of ADELA Investment Company, S. A., Luxembourg, at a cost of approximately US\$500,000, provided such stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of ADELA Investment Company, S. A., within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The descriptive memorandum on ADELA furnished with your letter stated that the head office of ADELA will be located in Luxembourg, and branch offices will probably also be maintained elsewhere in Europe and in the United States.

In the circumstances, the Board's consent is given with the understanding that ADELA will not maintain any branch, agency, office, or representative in the United States and that ADELA will not engage or participate in the underwriting, sale, or distribution of securities in the United States.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.