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Minutes for July 10, 1964

To: Members of the Board

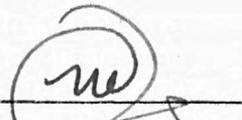
From: Office of the Secretary

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

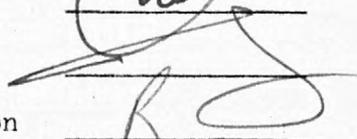
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

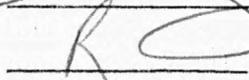
Chm. Martin



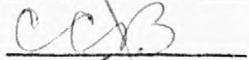
Gov. Mills



Gov. Robertson



Gov. Balderston



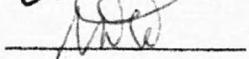
Gov. Shepardson



Gov. Mitchell



Gov. Daane



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

PRESENT: Mr. Martin, Chairman 1/
Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson 1/
Mr. Shepardson
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and
Statistics
Mr. Koch, Associate Director, Division of
Research and Statistics
Mr. Partee, Adviser, Division of Research and
Statistics
Mr. Dembitz, Associate 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. Axilrod, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division of
Research and Statistics
Miss Krummack, Economist, Division of Research
and Statistics
Mr. Baker, Economist, Division of International
Finance

Money market review. Mr. Axilrod discussed developments in the
Government securities market, with emphasis on the Treasury advance
refunding just announced, including in his comments reference to tables
that had been distributed on the current and earlier advance refundings.

1/ Withdrew from meeting at point indicated in minutes.

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Mr. Koch commented on current monetary developments, making reference to a distributed summary of monetary developments during the five weeks ended July 8, 1964. He also discussed the implications of monetary policy during the first half of 1964, in which connection he referred to a distributed table on selected monetary indicators. It was understood that copies of Mr. Koch's remarks in the latter regard would be made available to the members of the Board. Mr. Baker reviewed foreign exchange market developments, along with securities issues placed in European markets in the second quarter of 1964.

After discussion based on these reports all members of the staff who had been present except Messrs. Sherman, Kenyon, Noyes, Molony, Cardon, Brill, Partee, Dembitz, and Furth withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Kakalec, Controller
Mr. Davis, Acting Director, Division of Data Processing
Mr. Shay, Assistant General Counsel
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Forrestal, Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas on July 9, 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.

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Amendment to articles of association (Item No. 1). A letter to Continental International Finance Corporation, Chicago, Illinois, consenting to an amendment to its articles of association to provide for an increase in capital from \$2 million to \$5 million was approved unanimously. A copy is attached as Item No. 1.

Report on competitive factors (Pottsville-Ashland, Pennsylvania).

A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Ashland National Bank, Ashland, Pennsylvania, with and into Pennsylvania National Bank and Trust Company, Pottsville, Pennsylvania, was approved unanimously for transmittal to the Comptroller. The conclusion read as follows:

The proposed merger of The Ashland National Bank into Pennsylvania National Bank and Trust Company, Pottsville, would eliminate existing and potential competition between the two banks and further concentrate banking resources in the largest bank in the area.

Report on competitive factors (New York, New York). There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of The Bowery Savings Bank, New York, New York, into The Manhattan Savings Bank, also of New York, New York. The conclusion of the report, as drafted, noted that the proposed merger of the two savings banks, with New York City as a common service area, would eliminate the competition presently existing between them. While consummation of the transaction would add substantially to the deposits of the largest mutual

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savings bank in New York City (Bowery Savings), it appeared that no undue concentration in savings banks would result, and competitive loan and deposit services of other such banks and of commercial banks would continue to be abundantly available.

Governor Robertson suggested that the draft conclusion be amended to provide a change in emphasis. His suggestion was for the conclusion to state that even though competitive loan and deposit services of mutual savings banks and commercial banks were readily available in New York City, the proposed merger of Manhattan Savings and Bowery Savings would eliminate the present competition existing between them. Consummation of the transaction would add substantially to the deposits of the largest mutual savings bank in that City.

Governor Mills expressed the view that the language proposed by Governor Robertson was a little severe and that the original draft conclusion was appropriate. The Board was here making a declaration about mutual savings banks, which were not within the immediate sphere of its responsibility. There was the question whether competition, so far as mutual savings banks were concerned, should be analyzed in exactly the same manner as competition involving commercial banks, and he did not think that this was necessarily the case. The proposed merger would provide the largest savings bank in New York City with an increment of additional deposits, it was true, but as brought out in the draft report a substantial part of the lending activities of the mutual savings banks in New York City took the form of acquisition of mortgages originating

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in other sections of the country. There was not a sufficient supply of mortgages in New York City to match the supply of funds available for lending. To think in terms of competition usually meant thinking in terms of assuring potential borrowers adequate alternative sources of credit. But many of the borrowers from New York City mutual savings banks did not even reside in that City.

Chairman Martin observed that at best a hazardous judgment was involved in expressing a conclusion in a case of this kind. He suggested the possibility of marrying the language of the draft conclusion with the formulation suggested by Governor Robertson.

In light of the Chairman's suggestion several alternative formulations of the conclusion were proposed, with the eventual result that the report was approved for transmittal to the Federal Deposit Insurance Corporation in a form in which the conclusion read as follows:

Even though competitive loan and deposit services of savings banks and commercial banks are readily available in New York City, the proposed merger of The Bowery Savings Bank, New York, and The Manhattan Savings Bank, New York, with New York City as a common service area, would eliminate the present competition existing between them. Consummation of the transaction would add substantially to the deposits of the largest mutual savings bank in New York City, but it appears that no undue concentration in savings banks would result.

Mr. Egertson then withdrew from the meeting.

Question concerning Treasury tax regulation. In a letter dated June 9, 1964, the Treasury Department referred to a then proposed Treasury regulation relating to the taxation of certain types of income of "controlled foreign corporations." This regulation was intended to implement

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an exception in the Internal Revenue Code, as amended in 1962, for income received by such corporations from the "conduct of a banking, financing, or similar business." Subsequently, the regulation in question was adopted and published as Treasury Decision 6734 in Internal Revenue Bulletin No. 1964-25, dated June 22, 1964. The regulation provided that a foreign corporation controlled by a domestic corporation organized under section 25(a) of the Federal Reserve Act (an "Edge corporation") or operating under an agreement with the Board under section 25 of the Act (an "agreement corporation") was considered to be engaged in a "banking, financing or similar business" if all of the stock (except qualifying shares) of the domestic corporation was owned by a national bank or State member bank.

The Treasury asked, in effect, for a clearer understanding of the manner in which the phrases "international or foreign banking" in section 25 and "international or foreign banking or other financial operations" in section 25(a) should be interpreted. Specifically the Treasury asked whether an Edge or agreement corporation that obtained more than 50 per cent of the voting stock of a foreign subsidiary (other than through unusual circumstances) that was engaged in manufacturing, in wholesale selling, or in some other like business activity would be considered to be engaged in "international or foreign banking or other financial operations."

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A revised draft of reply to the Treasury had been prepared and distributed pursuant to the understanding at the meeting on June 19, 1964. The revised draft of reply would point out that there was no express prohibition in sections 25 or 25(a) or in the Board's Regulation K, Corporations Engaged in Foreign Banking and Financing under the Federal Reserve Act, against the acquisition by an Edge or agreement corporation of a controlling interest in a foreign corporation engaged in the types of activities mentioned. However, under section 25(a) Edge corporations were to be "organized for the purpose of engaging in international or foreign banking or other international or foreign financial operations ... either directly or through the agency, ownership, or control of local institutions....". Under section 211.10 of Regulation K no agreement corporation could "purchase or hold any asset or otherwise exercise any power in the United States or abroad in any manner not permissible for" an Edge corporation engaged in banking. In view of these basic provisions the acquisition by an Edge or agreement corporation of more than 50 per cent of the voting stock of a foreign corporation engaged in manufacturing, wholesale selling, or some other like business activity would not be appropriate, except in rare instances where the circumstances of some foreign banking or financial operation might warrant such acquisition.

The draft reply would also point out that three Edge corporations were wholly owned by bank holding companies instead of member banks, and that there was nothing in the Federal Reserve Act specifically restricting

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ownership of stock in an Edge corporation to member banks or registered bank holding companies.

Governor Mills referred to the statement in the draft letter that there was no express prohibition in the statute or in Regulation K against the acquisition by an Edge or agreement corporation of a controlling interest in a foreign corporation engaged in manufacturing, wholesale selling, or a like business activity. Yet the letter would also indicate that it would not be appropriate for an Edge or agreement corporation to acquire a controlling interest in a foreign corporation engaged in such activities, except in rare instances. He inquired whether such a conclusion could justifiably be drawn in the circumstances.

Mr. Shay replied that in looking at a statute as a whole and what it permitted and prohibited--particularly a statute that provided for the establishment of certain corporations--one must be guided by the spirit of the statute as to the purpose for which such corporations were to be established. One did not find in the statute provisions stating specifically that no Edge corporation could make investments of more than 50 per cent in foreign corporations engaged in activities such as mentioned in the Treasury's inquiry. But one did find admonitions indicating that the purpose of Edge corporations would be to engage in international or foreign banking or in other international or foreign financial operations. This statutory guide was made applicable to agreement corporations by Regulation K. If the question arose of allowing

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Edge corporations to engage through controlled foreign corporations in activities such as manufacturing, one would think in terms of the basic purposes, as stated in the statute, for which such corporations were to be formed.

Mr. Solomon commented that he questioned whether there was as much at issue as might at first appear. Edge corporations, he thought, did not expect to own more than 50 per cent of the stock of foreign corporations engaged in manufacturing, wholesale selling, or like activities. This had never been done in the past; the question had never been presented to the Board as a possibility. The basic difference was between a financing operation, with which an Edge corporation had knowledge and experience, and the operation of a manufacturing enterprise, for which an Edge corporation would not be particularly qualified. This was not to say that an Edge corporation would never acquire any stock whatever. As part of a financing operation it might buy stock, and it might in some unusual circumstance actually obtain control of the foreign corporation whose stock it held. But to say that except in unusual circumstances an Edge corporation's ownership of stock in a foreign manufacturing corporation would not go above 50 per cent was quite a different thing from the acquisition of stock in connection with a financing operation. This would not be something contemplated by the statute.

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Governor Robertson commented that control could be exercised through ownership of less than 50 per cent of the stock of a corporation.

Mr. Solomon replied that the question presented by the Treasury was simpler than the one implied by Governor Robertson's comment. He referred to the terms of the question, as set forth in the Treasury's letter.

Governor Mills suggested that the question of controlling stock ownership had not come up as a practical matter because of the desire of host countries to keep control vested in their nationals. If it were not for that factor, he did not know whether the Board was prepared to answer the question of the permissibility of a controlling ownership by an Edge corporation.

Governor Robertson expressed the opinion that if there was to be a limitation it should be stated in Regulation K. At present there was nothing in the Regulation.

Mr. Shay replied that when the Board revised Regulation K one objective was simplification of the Regulation. One method of achieving simplification was not to repeat in the Regulation what was already in the statute. The Regulation must be construed in the light of the statute.

Governor Robertson pointed out, however, that the statute did not prohibit the acquisition by Edge corporations of controlling interests in foreign commercial organizations. The draft letter would so state. Then it would go on to say that Edge corporations were to be organized

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only for limited purposes, and it would draw from this the conclusion that they could not ordinarily acquire more than 50 per cent of the stock of a foreign commercial organization. It would appear from this argument that if one really wanted to follow the statute he would say that an Edge corporation could not acquire any stock in a foreign commercial organization.

Governor Mills agreed with Governor Robertson. The dangerous thing about the proposed letter, as he saw it, was in advising the Treasury of a Board position that earnings from a controlling interest in a foreign commercial corporation would not be subject to tax exemption. The Board should be cautious about lending support to such a position.

Mr. Solomon noted that the question of more than 50 per cent ownership was statutory in effect. The Treasury was just asking for a factual statement; that is, whether it was factual that Edge and agreement corporations did not own more than 50 per cent control of foreign commercial organizations. If so, this would save the Treasury the trouble of sending in its auditors to discover the facts. If the Board were to say that it could not certify this to be a fact, then the Treasury would have to go in and discover the facts itself. The Treasury in its letter said it was not interested as long as the stock ownership was under 50 per cent.

Mr. Goodman cited provisions of the Treasury regulation. He added that in summary the Treasury was attempting by definition to say

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that the income of Edge and agreement corporations was presumed to be from the conduct of banking, financing, or similar business. The intent of the reply that had been drafted was to say that within the concept of the Edge Act such and such would happen and that at present there was no case where an Edge or agreement corporation owned more than 50 per cent of a foreign manufacturing or similar enterprise. The intent would be to tell the Treasury that it was not anticipated that such corporations would be owning, except in unusual circumstances, more than 50 per cent of the stock of foreign manufacturing, wholesale selling, or similar enterprises.

Governor Mills commented at this point that while he disliked Regulation K, the Regulation had been promulgated and was in effect. It gave certain assurances to Edge corporations and the banks that owned them. If the position to be taken in the proposed Board letter became known, the Edge corporations and the parent banks might argue that the Board had given them something and then taken it away.

Mr. Shay replied that the Treasury regulation was based on an argument that the Edge corporations had made to the Treasury; they had maintained that they did not invest in more than 50 per cent of the stock of foreign commercial enterprises, and that they did not, therefore, fall within the definition that would make them subject to having to prove their exemption from taxation on earnings derived from any such investments in foreign corporations.

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Mr. Solomon commented that the Treasury was saying in effect that it did not want to accept the words of taxpayers without checking. Therefore, it was asking the Board for assurances. It was asking for confirmation of the assumption that the Board, as a matter of policy, did not favor controlling ownership by Edge corporations in foreign commercial enterprises.

Governor Daane said that he would not favor such ownership except as it might come about through extraordinary circumstances.

Governor Robertson commented that if such was the Board's view, that view should be expressed in Regulation K.

On this point Mr. Solomon commented that the revised Regulation K was worked out in broad terms on an assumption that a lot of questions would be covered by reference to the purposes of the statute and through the examination of Edge and agreement corporations. The Regulation assumed that a lot of things would be generally understood by Edge and agreement corporations. The Edge and agreement corporations seemed to have understood that the Board would not favor their having controlling interests in foreign commercial organizations, and they had so indicated to the Treasury.

Governor Robertson stated that he would be inclined to vote against the sending of the proposed letter unless the Board was going to amend Regulation K, and Governor Mills indicated that he concurred with Governor Robertson.

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Mr. Hackley suggested that the letter might be more clear if, after the quoting of the Treasury's question, it were stated that under the law Edge and agreement corporations were to be operated only for the purpose of engaging in foreign or international banking and financing operations. Consequently, any acquisition of stock by such corporations was to be for financing rather than operational purposes. An Edge or agreement corporation could not appropriately own more than 50 per cent of the stock of a foreign commercial corporation unless such stock was acquired as the result of unusual circumstances stemming from a financing operation.

Governor Robertson expressed the view that this would be a better approach. But what would this amount to saying about Edge or agreement corporations going to a 49 per cent stock ownership? He reiterated that control was possible with ownership of less than 50 per cent of the stock of a corporation.

Governor Shepardson said that, as he understood it, the Treasury's question related to a statute that made reference to the 50 per cent standard. The Treasury's letter referred to the 50 per cent standard in that context. As he recalled the discussion preceding the revision of Regulation K, the Board decided to omit a lot of things that it seemed proper to leave for interpretation within the general context of the Edge Act. He would be prepared to approve a letter modified along the lines suggested by Mr. Hackley.

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Governor Balderston commented that the Treasury had raised a specific question. He inquired whether the reply might not be handled in terms of a specific answer to the particular question raised by the Treasury. In this case, the answer to the particular question would be in the negative.

This approach was discussed, and Governor Robertson indicated that he would be prepared to go along with it. Governor Daane also so indicated. He added that this would suggest a shorter reply, and he felt that in essence the members of the Board were perhaps fairly well agreed on the stance that should be taken in replying to the Treasury's specific question. Governor Mills suggested, however, that in the preparation of a revised draft letter the staff take seriously into consideration whether the answer that had been suggested really reflected a position that the Board wanted to take. He noted that there were situations where Edge or agreement corporations by preference wanted to acquire stock in foreign corporations.

It was then understood that a further revised draft of letter to the Treasury would be prepared for the Board's consideration in light of the discussion and suggestions at this meeting.

Chairman Martin withdrew from the meeting during the discussion of the foregoing item. Messrs. Shay, Goodman, Forrestal, and Poundstone withdrew at the conclusion of the discussion.

Site for new Denver Branch building. There had been distributed to the Board, with a transmittal memorandum from Mr. Sherman dated July 7,

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1964, a letter dated July 6, 1964, from President Clay of the Federal Reserve Bank of Kansas City requesting authority for the Bank to purchase at a cost of approximately \$2,291,000 a site for a new Denver Branch building. The site in question was the entire block between 15th and 16th Streets in Denver from Arapahoe to Curtis Streets, except for four lots on the corner of Arapahoe and 15th Streets. The net land area to be acquired would be 89,000 square feet; the price of the assemblage would be \$25.74 per square foot. The entire assemblage was offered to the Reserve Bank by the Park City Corporation, a corporation controlled by certain officers of the Central Bank and Trust Company of Denver, which corporation had also acquired the entire block across 15th Street, southwest of the block in question, for private development, including a high-rise apartment building. The property was reportedly being offered at the true cost of the assemblage to the Park City Corporation. The price included demolition of all buildings remaining on the property, termination of all leasehold interests, and contract with the telephone company for re-routing lines in an alley. The final cost to the Reserve Bank would be increased only by adjustment of interest costs and property tax apportionment from June 30, 1964, to the date of closing, plus reasonable closing costs.

Mr. Clay's letter stated that the acquisition of the site was unanimously recommended by the Denver Branch Building Committee, consisting of certain members of the Bank's Board of Directors and Mr. Clay. Other

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head office directors and those Denver Branch directors who were residents of that city were said to concur in the recommendation. It was intended to secure formal approval at the meeting of the Bank's Board of Directors in Denver on July 17, and it was thought desirable to have the approval of the Board of Governors prior to that time. Further, an agreement held by Park City Corporation to purchase a certain lease in the recommended block would expire by August 1.

There had also been distributed a memorandum from the Division of Bank Operations dated July 8, 1964, concerning this matter. The memorandum pointed out that the present proposal would give the Denver Branch the largest building site among the 12 head offices and 24 branches, and that this would be one of the most costly of recent purchases. On the other hand, the need for a new building was acute, and in the opinion of the Division the proposed site was preferable to one that had been recommended to the Reserve Bank earlier following a study by a research corporation because it would be less costly and was somewhat further removed from the rundown area of the city. The Division believed, on balance, that the various factors involved would warrant approval by the Board of the proposal.

In discussion members of the Board expressed the view that it would be preferable to defer a Board decision on the matter pending on-the-site evaluation of the situation by Chairman Martin and Governor Shepardson, both of whom were planning to attend the Reserve Bank directors'

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meeting in Denver on July 17. Reasons cited included: the long history of consideration of a site for new quarters for the Denver Branch; the consequent desire to be as certain as possible that the eventual choice was an appropriate one; the relatively high price per square foot of the site now proposed for purchase; and the large dimensions of the site. An opinion also was expressed that it would be desirable, through whatever means were necessary, including possible examination of the books of the corporation, to be sure that a profit would not be realized by the Park City Corporation, which corporation was controlled by officers of a Denver member bank, including a member of the Denver Branch Board of Directors.

Accordingly, a decision on the matter was deferred pending a report by Chairman Martin and Governor Shepardson following their visit to Denver.

Proposed New Orleans real estate purchase (Item No. 2). In a letter dated May 19, 1964, the Federal Reserve Bank of Atlanta requested authorization to negotiate for and purchase property at the corner of St. Charles Avenue and Poydras Street adjoining the New Orleans Branch building site at a price ranging from the appraised value of \$329,000 up to but not in excess of \$425,000. Such action had been authorized by the Bank's Board of Directors subject to approval by the Board of Governors.

Pursuant to the understanding when the request was discussed most recently at the meeting of the Board on June 18, 1964, Mr. Farrell visited

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New Orleans on June 23 and discussed the proposal with Mr. J. O. Emmerich, Chairman of the Board of Directors of the New Orleans Branch, and Mr. Morgan Shaw, Vice President and Manager of the Branch. Points raised during this visit were summarized in a memorandum from Mr. Farrell dated July 2, 1964, which had been circulated to the Board. Attached to the memorandum, when circulated, was a letter from Chairman Emmerich dated June 29, 1964.

During discussion members of the Board indicated that they were impressed with the desirability of acquiring the additional property for utilitarian purposes, specifically parking space and armored truck standby facilities. Also given some consideration was the argument in favor of acquiring the property in view of the manner in which it was being utilized by the present owners, whose operations included a bar, fight club, and high rooftop billboards. It appeared that the view of the new Branch building from the principal approach street would be obscured.

The members of the Board felt that an error of judgment had been made in not recommending the inclusion of this property when the site for the new Branch building was being assembled several years ago, and they now concluded that there was little recourse except to attempt to rectify the situation. Therefore, it was agreed unanimously to approve the present request of the Atlanta Reserve Bank and authorize negotiation for and purchase of the property at a price not in excess of \$425,000. A copy of the letter sent to the Bank pursuant to this action is attached as Item No. 2.

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Governor Robertson withdrew from the meeting during discussion of the foregoing item.

Coin shortage (Item No. 3). There had been distributed a draft of letter to the Presidents of the Federal Reserve Banks inviting comments on a letter that had been received from the American Bankers Association under date of July 8, 1964, concerning the current coin shortage and certain practices that the Federal Reserve System might want to consider.

After discussion the letter to the Reserve Banks was approved unanimously; a copy is attached as Item No. 3.

Titles of divisions. Reference was made to a memorandum from Mr. Brill dated June 23, 1964, which had been circulated to the Board, suggesting changes in the titles of the Division of Research and Statistics and the Division of Data Processing. The most urgent suggestion was that a change be made in the title of the Division of Data Processing to help in recruiting for the position of Director of that Division. The Board's decision had been to look for a man trained in economics, econometrics, and/or statistics rather than for someone whose background was limited to machine computation procedures, and the term "data processing" did not convey this interest.

In this connection there had also been distributed a memorandum from the Office of the Secretary dated July 9, 1964, presenting historical information on the chain of events that had resulted in the present titles of the Division of Research and Statistics, the Division of International Finance, and the Division of Data Processing.

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Governor Daane, who noted that he was to be absent from the Board's offices for a period of time, said that he had some reservations about the new titles proposed in Mr. Brill's memorandum, namely, Division of Research and Division of Statistical Operations. He felt, first, that the implications of the use of Division of Research should be considered from the standpoint of the role of the Division of International Finance, which was also a research division. Second, he was not certain that the new title proposed for the Division of Data Processing was the best that could be found in terms of indicating effectively the functions of that Division. Governor Daane stated that he would give further thought to the problem and pass along any specific suggestions. Having expressed his views, however, he would not object if the Board were to consider the matter during his forthcoming absence.

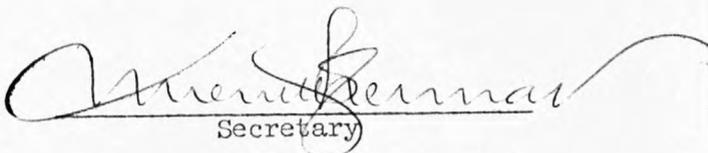
It was understood, following Governor Daane's comments, that the matter would be held over for consideration at a time when additional members of the Board were present.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Richmond (attached Item No. 4) approving the appointment of Floyd M. Dickinson, Jr., as assistant examiner.

Memorandum from the Division of Administrative Services recommending the appointment of Leonard M. Taylor as Messenger in that Division, with basic annual salary at the rate of \$3,305, effective the date of entrance upon duty.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
7/10/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 10, 1964.

Continental International Finance Corporation,
231 South La Salle Street,
Chicago 90, Illinois.

Gentlemen:

Reference is made to your letter dated June 16, 1964, addressed to Mr. Leland Ross, Vice President of the Federal Reserve Bank of Chicago, enclosing a Consent signed under date of June 12, 1964, on behalf of Continental Illinois National Bank and Trust Company of Chicago, sole shareholder of your Corporation, consenting to the amendment of the Articles of Association of your Corporation to increase the capital stock to \$5,000,000 consisting of 50,000 shares of the par value of \$100 each.

In accordance with the request, and pursuant to the provisions of Section 211.3(a) of Regulation K, as revised effective September 1, 1963, the Board of Governors approves the amendment to Article SEVENTH of your Articles of Association.

Please advise the Board of Governors, through the Federal Reserve Bank of Chicago, when the additional capital has been paid in.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
7/10/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 10, 1964.

Mr. Malcolm Bryan, President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Bryan:

This refers to the May 19, 1964, letter from Mr. Harold T. Patterson, First Vice President of the Federal Reserve Bank of Atlanta, pertaining to the proposed purchase of property adjacent to the New Orleans Branch building under construction.

The Board will interpose no objection to the Bank's acquisition of the proposed property and authorizes its purchase at a price not to exceed \$425,000, with the understanding that this amount will not be the initial offering price.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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Item No. 3
7/10/64

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD
July 10, 1964.

Dear Sir:

Enclosed is a copy of a letter dated July 8, 1964, to Chairman Martin from Mr. William T. Heffelfinger, Federal Administrative Adviser, American Bankers Association, concerning the coin shortage.

It will be noted that Mr. Heffelfinger, in addition to outlining a campaign to be initiated by the American Bankers Association in an endeavor to increase public understanding of the current coin situation, suggests that it would be helpful if the Federal Reserve Banks would--

- (1) Pay transportation costs on shipments of coin from nonmember banks.
- (2) Accept deposits of wrapped coin.
- (3) Break Mint-sealed bags and mix therein at least some circulated coin for payment to commercial banks.

The Board recognizes that the first two ideas were tried last year without much success and that rebagging coin received from the Mint in order to include some circulated coin would be both costly and difficult because of the scarcity of circulated coin. However, in public testimony representatives of the System have taken the position that the coin snortage has become so serious as to warrant remedial action despite increases in the cost, and have suggested that the Treasury abandon or modify precedents and procedures of long standing. In this light, the Board believes that the Federal Reserve System can not afford to stand pat on its usual methods of handling coin. The Board would like to have the comments of your Bank on this matter.

Very truly yours,

Merritt Sherman,
Secretary.

Enclosure.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4
7/10/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



July 10, 1964

CONFIDENTIAL (FR)

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained in your letter of July 3, 1964, the Board approves the appointment of Floyd M. Dickinson, Jr., as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

It is noted that Mr. Dickinson is indebted to Virginia Trust Company, Richmond Virginia, a nonmember bank, and to The First National Exchange Bank of Virginia, Roanoke, Virginia. Accordingly, the Board's approval of Mr. Dickinson's appointment is given with the understanding that he will not participate in the examination of either of these banks so long as his indebtedness thereto remains unliquidated.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.