

13609

Minutes for July 13, 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

M

Gov. Mills

[Signature]

Gov. Robertson

[Signature]

Gov. Balderston

CB

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

[Signature]

Minutes of the Board of Governors of the Federal Reserve System on Monday, July 13, 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. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research
and Statistics
Mr. Farrell, Director, Division of Bank
Operations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hooff, Assistant General Counsel
Mr. Sammons, Adviser, Division of International
Finance
Mr. Sprecher, Assistant Director, Division
of Personnel Administration
Mr. Young, Senior Attorney, Legal Division
Mr. Fisher, Senior Economist, Division of
Research and Statistics
Mr. Egertson, Supervisory Review Examiner,
Division of Examinations
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations
Mr. Poundstone, Review Examiner, Division
of Examinations

Circulated or 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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Item No.

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| Letter to The Union and New Haven Trust Company, New Haven, Connecticut, approving the establishment of a branch at Boston Post Road and Meigs Avenue, Madison, branch operations now conducted at Boston Post Road and Scotland Avenue to be discontinued simultaneously with the establishment of the new branch. | 1 |
| Letter to Bristol County Trust Company, Taunton, Massachusetts, approving the establishment of a branch between 491 and 507 Weir Street. | 2 |
| Letter to The Dollar Savings Bank Company, Niles, Ohio, approving the establishment of a branch in Lordstown Township. | 3 |
| Letter to Union Bank & Trust, Sioux Falls, South Dakota, approving an investment in bank premises. | 4 |
| Letter to Philadelphia International Investment Corporation, Philadelphia, Pennsylvania, granting permission to purchase shares of Mitsubishi Chemical Industries Limited, Tokyo, Japan. | 5 |
| Letter to Chase International Investment Corporation, New York, New York, granting permission to acquire, either directly or indirectly, stock of Transamerican Trailer Ferry, Inc., San Juan, Puerto Rico. | 6 |
| Letter to the Federal Reserve Bank of Cleveland concurring in the grade classifications recommended for supervisory positions in the Protection Department at the three offices of the Cleveland District and approving the payment of salaries on such basis. | 7 |
| Letter to the Federal Reserve Bank of New York interposing no objection to (1) a leave of absence without pay for one year for Joseph M. Halpern, Senior Examiner, Bank Examinations Department, to enable him to serve the Governor-Designate of the Central Bank of Trinidad and Tobago in an advisory capacity, and (2) an extension of a leave of absence without pay previously granted to Richard E. Speagle, Chief, Public Information Division, Public Information Department, to allow him to complete teaching a course at the Peruvian Institute of Public Administration in Lima, Peru. | 8 |

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Item No.

Letter to the Federal Reserve Bank of Atlanta approving the appointment of M. J. Swilley as Federal Reserve Agent's Representative at the Jacksonville Branch. 9

Messrs. Egertson, McClintock, and Poundstone then withdrew from the meeting.

Investment powers of Federal savings and loan associations
(Item No. 10). There had been distributed a memorandum from the Legal Division dated July 9, 1964, relating to a recommendation by the United States Savings and Loan League, made during hearings earlier this year before a subcommittee of the Senate Banking and Currency Committee, that the investment powers of Federal savings and loan associations be liberalized in five areas, as described in the memorandum. Although these proposals had not at the time been reduced to specific legislative language, Senator Sparkman requested the comments of the Federal Home Loan Bank Board with respect to them. The Bank Board had prepared a draft letter and submitted it to the Bureau of the Budget, which in turn requested the views of five agencies, including the Board of Governors, concerning the draft letter.

With one exception, the proposals of the United States Savings and Loan League would not grant new investment powers to Federal savings and loan associations; instead, they would liberalize existing authority. Except in one instance, the Home Loan Bank Board favored, or at least did not oppose, the proposals, but its draft letter emphasized at several points the importance of adequate regulatory and supervisory authority.

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The memorandum from the Legal Division noted that when Chairman Martin testified before the House Banking and Currency Committee in September 1963 with respect to several bills, one of which would have broadened the investment authority of Federal savings and loan associations by authorizing loans in a number of areas not presently permitted, he recommended favorable consideration of an extension of the Bank Service Corporation Act to apply to such associations. At the same time, however, he stated that before the question of granting additional investment powers to savings and loan associations was taken up, action should be taken to strengthen the supervision, safety, and liquidity of these institutions and to provide safeguards against conflicts of interest. He mentioned that this was the position taken by the Administration and the Board in connection with proposals to increase insurance coverage of the deposits of banks and shares of savings and loan associations.

The memorandum suggested that the position stated by Chairman Martin in September 1963 would appear to be equally applicable to the present proposals. There was submitted with the memorandum a draft of letter to the Budget Bureau that would avoid taking a definite position with respect to the five recommendations. It would state, however, that the Board was in general agreement with the views expressed in the draft letter from the Home Loan Bank Board, especially the emphasis on the need for adequate regulatory and supervisory control. It would also

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state that if favorable consideration was to be given to the current recommendations, action should be taken at the same time along the lines suggested in Chairman Martin's 1963 testimony.

Governor Mills inquired whether the Board wished to take so severe an approach in its letter to the Budget Bureau. The Board's earlier approach, as embodied in Chairman Martin's testimony, had appeared appropriate in the circumstances then existing. However, the present proposals seemed relatively innocuous as a group, and with one exception they were not opposed by the Federal Home Loan Bank Board. In his judgment it would be rather drastic to stand on the severity of the earlier position.

Asked whether it was correct to say that the Home Loan Bank Board was conditioning endorsement of the present proposals (with the one exception) on its being given additional supervisory powers, Mr. Young of the Legal Division cited several passages from the Home Loan Bank Board's draft letter emphasizing the importance of appropriate regulatory and supervisory authority.

Governor Mills, however, noted that these comments of the Home Loan Bank Board did not appear to reflect a position that proposals such as those presently under consideration should necessarily be deferred, as the proposed Board letter would suggest, pending the enactment of legislation that would cover such matters as protection against conflicts of interest and standby authority over dividend rates.

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Mr. Hackley commented that the Home Loan Bank Board only recently issued to the press a strong statement on conflicts of interest between savings and loan associations and mortgage insurance companies. It strongly urged enactment of the legislation that was still pending that contained a number of provisions regarding conflicts of interest, liquidity requirements, and dividend rates.

Governor Mills replied that nevertheless it did not appear that the Home Loan Bank Board was adamantly opposed to enactment of the proposals (except one) made by the Savings and Loan League. In other words, it did not appear that the Home Loan Bank Board was opposing these proposals in order to obtain leverage for passage of the legislation to which Mr. Hackley had referred. The Board of Governors could properly recommend consideration of that bill, but he questioned taking an adamant position that nothing should be done in the areas covered by the Savings and Loan League proposals, which were relatively innocuous.

Chairman Martin suggested the possibility of rewording the final paragraph of the draft letter to the Budget Bureau, but he added that he did not read into the draft such an adamant position as Governor Mills' comments implied.

Governor Robertson said his general philosophy was that the powers of Federal savings and loan associations should not be broadened piecemeal. Legislation should be enacted, he thought, that would make it easy for such institutions, once they became commercial institutions,

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to convert into commercial banks, with all the responsibilities attaching to that status. Otherwise, in a matter of years, the presence of these different kinds of institutions in this country might lead to difficulties in taking care of the financial needs of the country. He would go along with the letter to the Bureau of the Budget as drafted.

Governor Shepardson also indicated that he felt the position taken in the proposed letter was appropriate.

Governor Mills, on the other hand, felt that the savings and loan associations, who undoubtedly would have access to the letter, would read it as indicating a strongly adverse view on the part of the Federal Reserve toward anything that might be proposed in the way of liberalizing the powers of the associations.

There followed further discussion during which an editorial change suggested by Governor Balderston was agreed upon. With this change the letter to the Budget Bureau was approved, Governor Mills' reservations being noted. A copy of the letter sent to the Bureau is attached as Item No. 10.

Messrs. Young (Legal) and Fisher then withdrew and Messrs. Hexter, Assistant General Counsel, and Sanders, Attorney, Legal Division, entered the room.

Report on S. 2950 (Item No. 11). There had been distributed a draft of letter to Chairman Robertson of the Senate Banking and Currency Committee in reply to his request for the Board's views on S. 2950, a

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bill to authorize the Mint to continue to inscribe the 1964 mintage date on coins until adequate supplies of coin were available. The proposed reply would strongly urge favorable consideration of the bill.

Mr. Cardon reported that the Committee had scheduled hearings on the bill beginning in about a week. The question whether the Committee would want to have testimony from the Federal Reserve was still undecided, but the Committee's staff did ask that the Board's letter commenting on S. 2950 say something about the general nature of the coin shortage. Mr. Cardon then distributed copies of a paragraph that might be included in the proposed Board letter.

There followed discussion of the letter as it would read with the inclusion of the additional paragraph, and certain minor modifications of language were agreed upon. Unanimous approval then was given to a letter to Chairman Robertson in the form attached as Item No. 11.

California Bond Anticipation Notes. There had been distributed a memorandum from the Legal Division dated July 8, 1964, with respect to inquiries from Wells Fargo Bank, San Francisco, California, and Bankers Trust Company, New York, New York, submitted through the San Francisco and New York Reserve Banks, respectively, as to whether California Bond Anticipation Notes payable solely from the proceeds of anticipated sale of general obligation bonds of that State constituted "general obligations of any State" within the meaning of paragraph seventh, section 5136 of the Revised Statutes. For reasons developed

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in the memorandum, the Legal Division concluded that the California Bond Anticipation Notes did not constitute general obligations within the meaning of section 5136. It was recommended that the San Francisco and New York Reserve Banks be informed that the Board therefore did not consider the California Bond Anticipation Notes eligible for underwriting and dealing in by State member banks. A draft letter to such effect was submitted with the memorandum. Since the substance of the letter would conflict with a previous ruling of the Comptroller of the Currency, it appeared that the so-called "Dillon procedure" should be followed. After compliance with that procedure, it was recommended that the letter be sent and that an interpretation based thereon be published in the Federal Register and the Federal Reserve Bulletin.

In comments supplementing the memorandum that had been distributed, Mr. Sanders indicated that in essence it was the Legal Division's opinion that the California Bond Anticipation Notes did not constitute general obligations because the general taxing power of the State was not pledged directly or indirectly to the payment of the notes. He also brought out that there were no such notes outstanding at the present time. However, two banks had requested an opinion from the Board.

Messrs. Hackley and Hexter expressed agreement with the conclusion of Mr. Sanders that the California Bond Anticipation Notes were not general obligations within the meaning of section 5136 of the Revised Statutes. They then discussed possible advantages and disadvantages of

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issuing an interpretation at the present time, recognizing that none of the bond anticipation notes were currently outstanding.

It was the unanimous view of the Board that the conclusion of the Legal Division was correct, that the "Dillon procedure" should be followed, that replies then should be made to the two State member banks that had made inquiry, and that an interpretation should be issued.

There followed a general discussion of the circumstances that would obtain if the Comptroller of the Currency were to rule in a given case that certain bonds were general obligations and therefore eligible for underwriting by national banks, if counsel for a State member bank concurred in that opinion, if the Board of Governors then ruled that the bonds were not general obligations, and if the State member bank nevertheless proceeded to underwrite and deal in them, regardless of the Board's opinion. It was noted that the only legal sanctions available to the Board would involve action to remove officers or directors of the State member bank or to terminate the bank's membership in the Federal Reserve System, both of which actions might be regarded as out of proportion to the circumstances. On the other hand, the view was expressed that as a practical matter a State member bank probably would be reluctant to go ahead in the face of a Board ruling, particularly if the legal reasoning behind it was persuasive.

Messrs. Hexter and Sanders then withdrew and Mr. Partee, Adviser, Division of Research and Statistics, entered the room.

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Maximum rate of interest on savings deposits. There had been distributed to the Board copies of a letter from the Federal Reserve Bank of New York dated June 22, 1964, regarding letters from The Chase Manhattan Bank, New York, requesting that a maximum rate of 4 per cent be permitted to be paid by member banks on all savings deposits. Chase Manhattan pointed out that an erosion of commercial bank savings deposits had occurred in New York City as a result of competitive pressures from savings banks, and the New York Reserve Bank's letter indicated that officers of First National City Bank had expressed the same concern. The New York Reserve Bank submitted with its letter a study by its staff of the operating ratios of all member banks in the Second District for 1963, and the impact on their earnings had they paid 4 per cent on all savings deposits. The Reserve Bank concluded that the large commercial banks in New York City could afford to offer 4 per cent on savings deposits, and that they needed to do so to remain reasonably competitive in the local savings market. The staff study also indicated that a majority of the smaller banks outside New York City could afford to pay 4 per cent, although it was not believed that most of them needed to, or would, pay such rate unless the differential between their rates and those paid by directly competitive mutual savings banks widened further, or unless they experienced a loan demand in excess of their capacity to meet it.

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The New York Reserve Bank noted from the explanation of the proposed revision of Regulation Q, Payment of Interest on Deposits, which was sent to the Reserve Banks with the Board's letter of May 25, 1964, that it was suggested that incident to such revision of the Regulation the Supplement be amended, in the interest of administrative simplicity, to eliminate the split rate requirement as to savings deposits, so that the 4 per cent maximum would apply to any such deposit regardless of the time it had remained in a member bank. The Reserve Bank believed that the competitive situation and member banks' proven earning power justified such a change in the Supplement. It urged that the Board give favorable consideration to the request of Chase Manhattan Bank, entirely apart from any possible revision of Regulation Q.

In commenting on possible alternative procedures, Mr. Hackley brought out that the Board had now received comments from the Federal Reserve Banks on the package of proposed changes in Regulation Q. One possibility would be to act on the maximum rate proposal separately in the thought that it warranted prompt handling. Another possibility would be to bring the whole package of proposed amendments to Regulation Q back to the Board for further consideration in light of the Reserve Bank comments, following which such amendments as the Board continued to favor could be submitted to the Comptroller of the Currency and the Federal Deposit Insurance Corporation for comment. After those views were received,

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the proposals could be published in the Federal Register for comments from the public. This procedure, taken as a whole, would require some little time.

Governor Mills expressed the view that there were logical reasons for making the proposed change that would eliminate the split rate requirement. However, such action could create an impression that the Board was starting out to relax its interest rate ceilings. Such would not be the case because the effect of the proposal would be to remain within the present maximum rate of 4 per cent, but unless the announcement of such a change was carefully prepared the action could be interpreted otherwise.

Mr. Hackley noted that the Board, if it so desired, could consider the comments of the Federal Reserve Banks, and then those of the Comptroller and the Federal Deposit Insurance Corporation, on the package of amendments to Regulation Q, following which it could adopt the change to a 4 per cent maximum rate for all savings deposits effective immediately, without publication in the Federal Register for comments.

Chairman Martin suggested careful consideration from the standpoint of the timing of any action taken. The proposed action would be likely to be construed in some quarters as the forerunner of an increase in interest rates generally.

Governor Robertson urged that the Board deal with the maximum rate proposal as a part of the whole package, but that it expedite

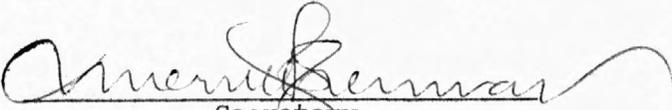
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consideration of the package. The comments of the Reserve Banks, he noted, were now in hand.

General agreement was expressed with such a procedure.

The meeting then adjourned.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Board of Directors,
The Union and New Haven Trust Company,
New Haven, Connecticut.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Union and New Haven Trust Company, New Haven, Connecticut, of a branch at the intersection of Boston Post Road and Meigs Avenue, Madison, Connecticut, provided the branch is established within six months from the date of this letter, and provided further that branch operations now conducted at the intersection of Boston Post Road and Scotland Avenue, Madison, Connecticut, are discontinued simultaneously with the establishment of the above branch.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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.)



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

Item No. 2
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Board of Directors,
Bristol County Trust Company,
Taunton, Massachusetts.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bristol County Trust Company, Taunton, Massachusetts, of a branch between 491 and 507 Weir Street, Taunton, Massachusetts, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
7/13/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Board of Directors,
The Dollar Savings Bank Company,
Niles, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Dollar Savings Bank Company, Niles, Ohio, of a branch on Carson-Salt Springs Road approximately one-half mile east of the intersection of Ohio Route #45 and Carson-Salt Springs Road in Lordstown (unincorporated), Lordstown Township, Ohio, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
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.)

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

Item No. 4
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Board of Directors,
Union Bank & Trust,
Sioux Falls, South Dakota.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment, direct and indirect, of \$750,000 by Union Bank & Trust, Sioux Falls, South Dakota, for the construction of new banking quarters, including \$250,000 expended for purchase of the land, provided your bank increases its capital stock by at least \$250,000 through the sale of new stock prior to December 31, 1964.

It is understood that the premises will be owned by a wholly owned affiliate organized solely for that purpose, and that the \$750,000 represents an investment of \$500,000 by the bank in the capital stock of the affiliate and \$250,000 in funds borrowed by the affiliate from a source other than the subject bank.

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. 5
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964.

Philadelphia International Investment Corporation,
Post Office Box 7618,
Philadelphia, Pennsylvania.

Gentlemen:

Reference is made to your letter of July 3, 1964 addressed to Mr. Joseph R. Campbell, Vice President of the Federal Reserve Bank of Philadelphia, requesting that the Board of Governors grant consent for Philadelphia International Investment Corporation ("PIIC") to purchase up to the number of new shares of Mitsubishi Chemical Industries Limited, ("Mitsubishi") Tokyo, Japan, allotted to PIIC under the terms of the rights offering described.

It is understood that PIIC acquired 265,205 shares of Mitsubishi on November 1, 1961 at a cost of \$88,419.35 under the general consent of April 25, 1961, as part of an investment including the purchase of \$375,000 of 7 per cent Guaranteed Dollar Promissory Notes of Mitsubishi; and that pursuant to the Board's consent of April 2, 1962 to purchase and hold 132,602.5 new shares of Mitsubishi at a net cost of approximately US\$18,500, PIIC acquired 133,000 shares at a net cost of \$18,843.98, making the total shares held 398,205, carried at \$107,263.33. You state that on June 30, 1964 PIIC sold 90,000 shares of Mitsubishi with net proceeds, US\$28,426.21.

In the circumstances described in your letter, the purchase of new Mitsubishi shares under the terms of the rights offering would not be permissible under general consent provisions of Section 211.8(a)(1) as being incidental to an extension of credit to Mitsubishi. However, in accordance with your request the Board grants consent for PIIC to purchase and hold up to the number of new Mitsubishi shares allotted to PIIC under the terms of the rights offering, or 199,102.5 shares, at a cost of approximately US\$27,500.

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. 6
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Chase International Investment Corporation,
One Chase Manhattan Plaza,
New York, New York 10005.

Gentlemen:

In accordance with the request contained in your letter of May 20, 1964, transmitted through the Federal Reserve Bank of New York, and on the basis of the information furnished, the Board of Governors grants consent for Chase International Investment Corporation ("CIIC") to purchase, at par, and hold, either directly or through its subsidiary, Arcturus Investment & Development Ltd. ("Arcturus"), Montreal, Canada, up to \$1,000,000 par value 7 per cent redeemable cumulative preferred stock of a Puerto Rican corporation tentatively known as Transamerican Trailer Ferry, Inc., ("TTFI") San Juan, Puerto Rico, provided such stock is acquired within one year from the date of this letter.

The Board of Governors also grants its consent for CIIC, or Arcturus, to exercise all rights to acquire shares to which it may become entitled as the holder of warrants to purchase, at par, common stock of TTFI in an amount not to exceed \$500,000.

The Board's consent is given with the understanding that the ships to be acquired by TTFI will operate only between the Port of San Juan and the Port of New York.

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. 7
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Confidential (FR)

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

Dear Mr. Hickman:

Reference is made to your letter of June 22, 1964,
regarding the job classifications at the supervisory level of
the Protection Department at the three offices of the Cleveland
District.

The Board concurs in the classifications presented in
the last paragraph of the memorandum attached to your letter,
as follows:

	<u>Cleveland</u>	<u>Cincinnati</u>	<u>Pittsburgh</u>
Captain	13	12	12
Lieutenant	11	11	11
Sergeant	10	10	10

Accordingly, effective immediately, payment of salaries,
for the grades shown, to employees in these positions is approved
within the ranges previously approved in the Board's letter of
April 27, 1964.

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. 8
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Mr. Thomas M. Timlen, Jr.,
Secretary,
Federal Reserve Bank of New York,
New York, New York. 10045.

Dear Mr. Timlen:

This is in reply to your letter of
June 26, in which you reported (1) a leave of
absence, without pay, for one year for
Mr. Joseph M. Halpern, and (2) an extension
for approximately five months of a leave of
absence previously granted to Richard E. Speagle.

The Board of Governors interposes no
objection to these leaves of absence.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 9
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964

Mr. Jack Tarver,
Federal Reserve Agent,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia 30303.

Dear Mr. Tarver:

As requested in your letter of June 25, 1964, the Board of Governors approves the appointment of Mr. M. J. Swilley as Federal Reserve Agent's Representative at the Jacksonville Branch to succeed Mr. J. R. Moser, Jr.

This approval is given with the understanding that Mr. Swilley will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Swilley may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Jacksonville Branch, perform such work for the Branch as will not be inconsistent with the duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Swilley is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Swilley execute the usual Oath of Office which should then be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 10
7/13/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 13, 1964.

Mr. Phillip S. Hughes,
Assistant Director for
Legislative Reference,
Executive Office of the President,
Bureau of the Budget,
Washington, D. C. 20503

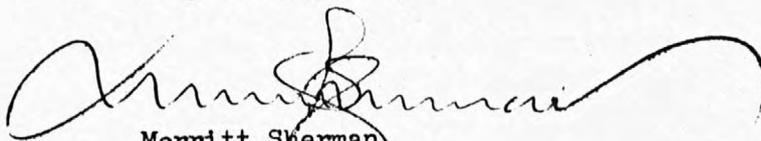
Dear Mr. Hughes:

This is in response to your communication of July 2, 1964, requesting comments on a proposed Federal Home Loan Bank Board letter to the Senate Banking and Currency Committee concerning certain proposals made by the United States Savings and Loan League to amend S. 2468, which, if enacted, would become the Housing and Community Development Act of 1964.

The proposals of the United States Savings and Loan League would (1) increase from 50 to 100 miles the basic lending areas for federal savings and loan associations, (2) broaden authority with respect to loans in urban renewal areas, (3) remove certain restrictions now contained in subsection (c) of section 5 of the Home Owners Loan Act of 1933, (4) permit investments in non-profit service corporations as well as in certain State corporations, and (5) amend existing law relating to loans secured by lease holds.

It is the view of the Board that, if additional powers are granted to federal savings and loan associations or their existing powers broadened, action should also be taken to strengthen the supervision, safety, and liquidity of these institutions and to provide safeguards against conflict of interest. Accordingly, if favorable consideration should be given to the recommendations of the League then the Board would urge that action be taken at the same time along these lines. The Board is in general agreement with the views expressed by the Federal Home Loan Bank Board, especially its emphasis on the need for strong regulatory and supervisory control.

Very truly yours,



Merritt Sherman
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 11
7/13/64

OFFICE OF THE CHAIRMAN

July 14, 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, dated June 26, 1964, for the Board's views on S. 2950, a bill to authorize the Mint to continue to inscribe the 1964 mintage date on coins until adequate supplies of coin are available. The Board strongly urges favorable consideration of this bill.

The shortage of coin which has forced Federal Reserve Banks to ration available supplies continues. Although normally coins flow freely into circulation and back into the Reserve Banks in much the same way as currency, the return flow has dwindled in recent years. Increased deliveries from the Mint have not filled the gap. Normally, return flows have supplied nine times as much as new production; today, less coins are flowing back from the public to the Reserve Banks than are received from the Mint. As a result, the Reserve Banks are unable to meet the demand for coin. While the only real solution to this problem is a substantial increase in production, S. 2950 should prove helpful, because it should go a long way toward keeping newly minted coins in circulation.

Today, these coins are being hoarded and offered for sale at substantial premiums in all denominations. Some impression of the extent of this activity may be gained from the attached table, showing offers to sell bags of uncirculated 1964 coins, by dealers in Georgia, Montana, New York, North Carolina, Ohio, Pennsylvania, and Virginia. The table was made up from advertisements selected at random from the July 8, 1964, issue of Coin World. In addition to other offers of bags of uncirculated 1964 coins, the same issue contained even more numerous offers to sell rolls or single pieces of these coins at higher premiums.

A situation encouraging the offering of premiums on the current year's coins is undesirable not only because it results in

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coins being withdrawn from circulation, but also because it makes the maintenance of ethical standards of conduct on the part of bank employees more difficult than it otherwise would be.

By assuring the market that massive supplies of all denominations of 1964 coins will be available in the long run, the bill should minimize the extent to which they are withdrawn from circulation, and possibly result in a substantial return to circulation of those which have previously been withdrawn. Hopefully, the bill could even make the Kennedy half-dollar a circulating coin rather than a collector's item.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Attachment

PREMIUM PRICES QUOTED FOR BAGS OF UNCIRCULATED 1964 COINS

	Pennies \$50 F. V.*	Nickels \$200 F. V.	Dimes \$500 F. V.	Quarters \$1000 F. V.	Halves \$1000 F. V.
Dealer A					
Denver Mint			\$535		
Phila. Mint		\$225			\$1395
Dealer B					
Denver Mint	\$60	235	595	\$1095	1250
Phila. Mint	65	235	745	1125	1395
Dealer C					
Phila. Mint	61.95	230			1375
Dealer D					
Denver Mint					1150
Phila. Mint	62	225			1300
Dealer E					
Denver Mint					1150
Phila. Mint	60				1350
Dealer F					
Denver Mint	67	245	600		
Phila. Mint	67	245	740		
Dealer G					
Denver Mint	60	230			1150
Phila. Mint	61	235			1275
Dealer H					
Denver Mint	65		540		"CALL"
Phila. Mint	62	225		1075	"CALL"
Dealer I					
Denver Mint			570		
Phila. Mint	61.50	255	790	1100	1375

*F. V. stands for Face Value of Coins in a Bag
Source: COIN WORLD, July 8, 1964