

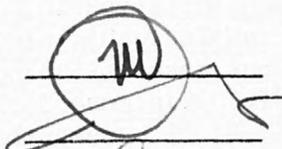
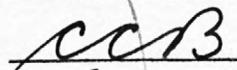
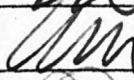
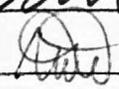
Minutes for August 28, 1964

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	<u> </u> 
Gov. Mills	<u> </u>
Gov. Robertson	<u> </u> 
Gov. Balderston	<u> </u> 
Gov. Shepardson	<u> </u> 
Gov. Mitchell	<u> </u> 
Gov. Daane	<u> </u> 

Minutes of the Board of Governors of the Federal Reserve System on Friday, August 28, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Mills
Mr. Robertson
Mr. Mitchell
Mr. Daane

Mr. Kenyon, Assistant Secretary
Mr. Broida, 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. Fauver, Assistant to the Board
Mr. Holland, Associate Director, Division
of Research and Statistics
Mr. Furth, Adviser, Division of International
Finance
Mr. Sammons, Adviser, Division of International
Finance
Mr. Katz, Associate Adviser, Division of
International Finance
Mr. Spencer, General Assistant, Office of the
Secretary
Mr. Axilrod, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Keir, Chief, Capital Markets Section,
Division of Research and Statistics
Mr. Bernard, Economist, Division of Research
and Statistics
Mr. Gemmill, Economist, Division of International
Finance

Money market review. There were distributed tables affording perspective on the money market and on bank reserve utilization, together with data on negotiable certificates of deposit outstanding.

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Mr. Axilrod commented on recent developments in the Government securities market; Mr. Holland discussed bank reserves, bank credit, and the money supply; and Mr. Gemmill reported on foreign exchange market developments.

Following discussion based on the review, all of the members of the staff except Messrs. Kenyon and Spencer withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Daniels, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mr. Young, Senior Attorney, Legal Division
Mr. Forrestal, Attorney, Legal Division
Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, Kansas City, and Dallas on August 27, 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.

Purchase of shares of foreign corporation (Item No. 1). Unanimous approval was given to a letter to Bankers International Financing Company, Inc., New York, New York, granting consent to the purchase of shares of Bancom Development Corporation, Makati, Rizal, Philippines. A copy of the letter is attached as Item No. 1.

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Fees for special counsel at New York. There had been distributed a memorandum from the Legal Division dated August 26, 1964, regarding a letter of August 20, 1964, from the Federal Reserve Bank of New York requesting Board approval of the payment of up to \$10,000 to special counsel in connection with pending litigation in which the Reserve Bank was seeking a reduction of the assessed valuation of its Buffalo Branch real estate and a recovery of taxes related to the alleged overassessment. The litigation involved four or more tax years, and the total amount of allegedly overpaid taxes was between \$150,000 and \$200,000. It was the view of the Reserve Bank that there was a fair chance of partial recovery through litigation, although total recovery was unlikely. The case appeared to involve largely the question of the proper theory of valuation of the real estate, that is, whether the base value should be established by capitalizing potential net income or whether the building should be valued on the basis of its reconstruction cost less depreciation. If the court were to accept the latter theory, it appeared that the present assessment, or even a higher assessment, would be justified. The services of a real estate appraiser or appraisers also would be needed to establish the Reserve Bank's contention that the assessment was made at a higher rate of valuation than that of other selected properties in Buffalo.

The Legal Division recommended that the Board approve the proposed payment of fees to special counsel with the understanding that, should the total fees seem likely to exceed \$10,000, further approval

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of the Board would be obtained. Reference was made to the action taken by the Board on January 8, 1964, approving the payment of a fee not to exceed \$15,000 to special counsel for the Federal Reserve Bank of Boston in connection with litigation involving the abatement of real estate taxes assessed by the City of Boston.

In discussion of the matter, Governor Mitchell expressed a distaste for proceedings of this kind contesting the findings of a public agency. In his opinion, the Board should have before it more tangible evidence as to the inappropriateness of the tax assessment procedures of the City of Buffalo. Without having such information, he would be unwilling to approve the request of the New York Reserve Bank for the payment of fees to special counsel. He noted that in the tax assessment matter involving the Federal Reserve Bank of Boston, President Ellis had furnished the Board information that pointed rather clearly to the advisability of seeking a tax abatement. There was no comparable evidence in the information presently available on the Buffalo case, and there was no strong assurance that the Reserve Bank would accomplish a saving through the litigation that was proposed.

After further discussion of the basis used by the City of Buffalo for valuation of the Reserve Bank's property in determining its value for assessment purposes, during which it was suggested that the letter from the New York Reserve Bank did not provide adequate information to answer certain questions that were of interest, it was agreed that representatives

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of the New York Reserve Bank and the Buffalo Branch familiar with this matter should be invited to discuss it with the Board.

Accordingly, it was understood that Mr. Treiber, First Vice President, together with such additional staff representation from the New York Reserve Bank and the Buffalo Branch as seemed appropriate, would be requested to discuss the matter with the Board, possibly when Mr. Treiber was in Washington on September 8 to attend a meeting of the Federal Open Market Committee.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 2) approving the designation of six employees as special assistant examiners.

Memoranda recommending the following actions relating to the Board's staff:

Appointment

Thomas H. Hickman as Guard, Division of Administrative Services, with basic annual salary at the rate of \$4,005, effective the date of entrance upon duty.

Salary increase

James R. Carnahan, Guard, Division of Administrative Services, from \$5,380 to \$6,060 per annum, with a change in title to Captain, Guard Force, effective August 30, 1964.

Acceptance of resignations

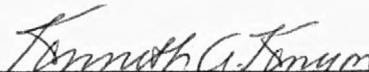
Theodore G. Flechsig, Economist, Division of Research and Statistics, effective at the close of business September 11, 1964.

Nell T. Postles, Librarian, Division of Research and Statistics, effective at the close of business September 16, 1964.

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Acting in the absence of Governor Shepardson, Governor Robertson today noted on behalf of the Board a memorandum from the Division of Administrative Services advising that Claiborne Johnson, Operator (Offset Press) in that Division, died on August 22, 1964.


Assistant Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
8/28/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 28, 1964.

Bankers International
Financing Company, Inc.,
16 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of July 31, 1964, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent for your Corporation to purchase and hold up to 200,000 shares, par value Philippine Pesos 10 each, of the common stock of Bancom Development Corporation, Makati, Rizal, Philippines, 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 Bancom Development Corporation 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.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
8/28/64



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 31, 1964

Mr. Paul C. Stetzelberger, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Stetzelberger:

In accordance with the request contained in your letter of August 26, 1964, the Board approves the designation of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland for the purpose of participating in examinations of State member banks:

Ronald P. Bobak
Charles DeMatty
William E. McDermot
Robert J. Depner
Robert R. Yates
John J. Nigro

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.