

Minutes of the Board of Governors of the Federal Reserve System
System of Policy, October 9, 1964
at 10:00 AM

Minutes for October 9, 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

W

Gov. Mills

[Signature]

Gov. Robertson

CRB

Gov. Balderston

[Signature]

Gov. Shepardson

[Signature]

Gov. Mitchell

[Signature]

Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Friday, October 9, 1964. The Board met in the Board Room at 10:00 a.m.

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

Mr. Broida, Assistant Secretary
Mr. Bakke, Assistant Secretary
Mr. Young, Adviser to the Board and Director,
Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, 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. Morgan, Staff Assistant, Board Members'
Offices
Mr. Axilrod, Chief, Government Finance Section,
Division of Research and Statistics
Mr. Eckert, Chief, Banking Section, Division
of Research and Statistics
Mr. Keir, Chief, Capital Markets Section,
Division of Research and Statistics
Mr. Bernard, Economist, Division of Research
and Statistics
Mr. Baker, Economist, Division of International
Finance

Money market review. There were distributed tables on money market perspective for the period January-October 7, 1964, perspective

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on bank reserve utilization for the period September 1963-October 7, 1964, and seasonally adjusted data for annual rates of growth of currency in circulation by denomination for the period 1960-August 1964.

Mr. Bernard presented a report on developments in the Government securities market and commented upon the borrowing of Federal funds by Morgan Guaranty Trust Company, New York City, at a rate of 3-5/8 per cent the previous week. Mr. Eckert then discussed bank reserves, bank credit, and the money supply, following which Mr. Baker reviewed recent developments in the foreign exchange market.

Following the foregoing reports, all members of the staff except Messrs. Broida, Bakke, and Fauver withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Young, Senior Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Smith, Review Examiner, Division of Examinations
Mr. Hart, Personnel Assistant, Division of Personnel Administration

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on October 7, 1964, and by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, and Dallas on October 8, 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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Circulated items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

	<u>Item No.</u>
Letter to Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, approving the establishment of a branch in the Carlisle Shopping Plaza at the junction of East High Street and York Road in the Borough of Carlisle, Cumberland County.	1
Letter to Nevada Bank of Commerce, Reno, Nevada, approving the establishment of a branch in the Round Hill Village Shopping Center, Edgewood.	2
Letter to the Federal Reserve Bank of Boston approving a program of increased benefits under Blue Cross coverage for active and retired employees.	3
Letter to the Federal Reserve Bank of St. Louis regarding a member bank's borrowing under section 13 of the Federal Reserve Act on collateral of customers' notes.	4

The meeting then adjourned.

Secretary's Note: Pursuant to the recommendation contained in a memorandum from the Division of Personnel Administration, Governor Shepardson today approved on behalf of the Board an increase in the basic annual salary of Levon H. Garabedian, General Assistant, Division of Research and Statistics, from \$7,710 to \$8,650, effective October 11, 1964.

Karl E. Bakke
Assistant Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
10/9/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 9, 1964



Board of Directors,
Dauphin Deposit Trust Company,
Harrisburg, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Dauphin Deposit Trust Company, Harrisburg, Pennsylvania, of a branch in the Carlisle Shopping Plaza at the junction of East High Street and York Road in the Borough of Carlisle, Cumberland County, Pennsylvania, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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
10/9/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 9, 1964



Board of Directors,
Nevada Bank of Commerce,
Reno, Nevada.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Nevada Bank of Commerce, Reno, Nevada, of a branch in the Round Hill Village Shopping Center, Edgewood, Douglas County, Nevada, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
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
10/9/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 9, 1964

Mr. Earle O. Latham,
First Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts 02106.

Dear Mr. Latham:

This refers to your letter of September 21, 1964, advising that the Board of Directors has authorized a change in Blue Cross coverage for active and retired employees from the \$18 per day plan to the \$21 per day standard plan, effective in November 1964, at an additional cost to the Bank of about \$750 per year.

The Board of Governors approves the program of increased benefits under the new contract, and the absorption by the Bank of two-thirds of the premium costs in connection therewith.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.





BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

3476
Item No. 4
10/9/64

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 9, 1964

Mr. Dale M. Lewis, Vice President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166

Dear Mr. Lewis:

In your letter of August 21, 1964, you state that a member bank is currently borrowing under section 13 of the Federal Reserve Act on the collateral of customers' notes and has indicated an intention of submitting to your Bank additional customers' paper as collateral, including paper evidencing loans made by it to a Federal land bank and a Bank for Cooperatives and also paper evidencing loans to nonmember commercial banks secured by United States Government securities. You state that over a period of years the bank has customarily made such loans in the regular course of its business.

In these circumstances you inquire as to the applicability of section 201.5, paragraph (a) of Regulation A, which prohibits the acceptance by a Federal Reserve Bank, except with permission of the Board, of assets represented by nonmember bank paper as security for advances "except assets otherwise eligible which were purchased by the offering bank on the open market or otherwise acquired in good faith and not for the purpose of obtaining credit for a nonmember bank."

The prohibition contained in the above provision of the Regulation applies not only to advances made under section 13 but also to those made under section 10(b). Thus, if nonmember paper, otherwise eligible, cannot be accepted as security for an advance under section 13 for the reason that the advance is for the purpose of obtaining credit for a nonmember bank it would not be acceptable under section 10(b). The Board considers, however, that you would be justified in assuming that the member bank in question acquired the described paper "in good faith" within the meaning of that term as used in the Regulation.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.