The attached minutes of the meeting of the Board of Governors of the Federal Reserve System on November 18, 1964, which you have previously initialed, have been amended at the request of Governor Daane to delete a portion of the sentence beginning at the bottom of page 14 and continuing on page 15.

If you approve the minutes as amended, please initial below.

Governor Daane
Chairman Martin
Governor Robertson
Governor Balderston
Governor Shepardson
Governor Mitchell
Minutes for November 18, 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 Wednesday, November 18, 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
Mr. Shepardson
Mr. Daane

Mr. Sherman, Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Sanders, Attorney, Legal Division
Mr. Egertson, Supervisory Review Examiner, Division of Examinations
Mr. Guth, Review Examiner, Division of Examinations
Mr. Lyon, Review Examiner, Division of Examinations
Mr. Furth, Consultant

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on November 16, 1964, of the

1/ Joined meeting at point indicated in minutes; withdrew and re-entered at points indicated.
rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated or distributed items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously:

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Item</th>
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<tbody>
<tr>
<td>1</td>
<td>Letter to Peoples Trust Company of Bergen County, Hackensack, New Jersey, approving the establishment of a branch near Main Street and Franklin Avenue, Wyckoff, operations conducted at 390 Main Street to be discontinued simultaneously.</td>
</tr>
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<td>2</td>
<td>Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch in any one of three specified locations in San Francisco.</td>
</tr>
<tr>
<td>3</td>
<td>Letter to Bank of America National Trust and Savings Association, San Francisco, California, approving an extension of time to establish a branch in Madrid, Spain.</td>
</tr>
<tr>
<td>4</td>
<td>Letter to the Federal Reserve Bank of Boston waiving assessment of a penalty incurred by The First National Bank of Boston, Boston, Massachusetts, for a deficiency in its required reserves.</td>
</tr>
<tr>
<td>5</td>
<td>Letter to the Federal Reserve Bank of Chicago waiving assessment of a penalty incurred by Racine County National Bank, Franksville, Wisconsin, for a deficiency in its required reserves.</td>
</tr>
<tr>
<td>6</td>
<td>Letter to Midwestern Financial Corporation, New York, New York, regarding the status of Industrial Bank of the West, Arvada, Colorado, under the Bank Holding Company Act of 1956 and the holding company affiliate statute. (The substance of the letter was transmitted to all Federal Reserve Banks.)</td>
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Chairman Martin joined the meeting during consideration of Item No. 6. Messrs. Egertson, Guth, and Lyon withdrew after completion of action on the foregoing items.

Auditors Conference. There had been circulated a memorandum dated November 9, 1964, from the Division of Examinations requesting the Board's approval of scheduling a Conference of General Auditors of the Federal Reserve Banks in March or April 1965 (the actual date to be determined). Such conferences had been held biennially, the last one in the spring of 1963. Although a Special Conference had been held in June 1964, its purpose had been limited, and it was believed that the usual biennial conference would be a useful follow-up and would afford an opportunity for ratification of the recommendations of the special subcommittee that was appointed to review the audit frequency schedule. If the Board approved the calling of the regular biennial conference, it was anticipated that an opportunity would be afforded Chairman Bean of the Conference of Chairmen to express his views before the meeting was formally called.

After discussion, the scheduling of the conference was approved unanimously.
Chairman Martin then withdrew.

**Involuntary retirement (Item No. 8).** There had been circulated a memorandum dated November 4, 1964, from the Division of Personnel Administration regarding a request from the Federal Reserve Bank of Chicago, in a letter of October 19, 1964, for the Board's view regarding involuntary termination of the services of Walter A. Mack, an employee of the Detroit Branch, who was no longer able to perform his duties satisfactorily because of addiction to alcohol.

The memorandum referred to the provision of the Rules and Regulations of the Retirement System of the Federal Reserve Banks that, under certain circumstances, a Bank may supplement the retirement allowance of an employee whose services are terminated involuntarily, if the termination was not for reasons of dishonesty, misconduct, or insubordination. In the opinion of the Chicago Reserve Bank's officers, none of those reasons was involved in the present case. The cost to the Bank for providing a supplementary benefit would be approximately $13,500, which would bring total retirement allowance to about $2,300 annually, compared with salary at termination of services of $8,200. The matter was submitted because the Board had asked, in a letter of June 7, 1956 (S-1592, F.R.L.S. #9152), that the Reserve Banks obtain the Board's views.
in any doubtful case of involuntary termination of service as to whether dishonesty, misconduct, or insubordination was involved.

The primary question was whether inability to perform one's duties because of alcoholism was to be construed as misconduct or insubordination under the Rules and Regulations of the Retirement System. In 1957, in a case involving alcoholism at a Reserve Bank branch, the Board took the position that misconduct also was involved and therefore disapproved the eligibility of the employee concerned to receive at Bank cost a supplement to his retirement allowance. The present case differed from that one, however, in that there was no suggestion of misconduct apart from alcoholism in connection with Mr. Mack's service.

Moreover, current medical opinion, according to various authorities cited in an attachment to the memorandum, considered alcoholism a disease rather than a matter of misconduct per se. That view was also reflected in a letter from the Chicago Reserve Bank's physician regarding the immediate case.

The Division of Personnel Administration recommended, on the basis of the circumstances described, that the Board interpose no objection to supplementation of the retirement allowance of the employee in question. A draft of letter to the Federal Reserve Bank of Chicago in those terms was attached to the memorandum. The
Division also recommended that, since there appeared to be a lack of uniformity among the Reserve Banks in considering cases of involuntary termination involving alcoholism, the other Reserve Banks be advised of the reply to be made to the Chicago Bank's inquiry.

At the Board's invitation, Mr. Sprecher summarized the considerations involved, after which Mr. Johnson commented on the related administrative problem. If the Board should be of the opinion that alcoholism, per se, represented misconduct, that would preclude the Chicago Bank from handling the present case in a manner consistent with the treatment accorded similar cases at several other Reserve Banks that had not felt that any question of misconduct was involved, and which therefore had not submitted them to the Board. Mr. Johnson also commented, as had Mr. Sprecher, on the shift in recent years in medical opinion regarding alcoholism, and suggested the desirability that the Board give weight to the current attitude of the medical profession.

Governor Mills stated that he would favor the approach recommended and would allow the employee concerned, who had 32 years of service, the benefits available under the involuntary retirement provisions. However, Governor Mills believed that any indication to the Reserve Banks of the Board's views should differentiate
between cases of alcoholism in which there were no other circumstances subject to criticism, and cases in which there were bad living habits which, in and of themselves, might constitute misconduct.

Governor Robertson said that he had no doubt that alcoholism was a disease and should be treated as such, but he did not believe the Board should leave the matter in such a stance that the Reserve Banks might consider their responsibilities fulfilled merely by supplementing retirement allowances. Instead, he believed that the Banks should do everything they could for the individual while he was still in an employee status. While he was in that status, there were various sources of help that the Bank should explore; once he was retired, his recourse to help would be more limited.

Mr. Johnson responded that he was confident that the Reserve Banks did in fact use the approach suggested by Governor Robertson, and terminated services only as a last resort.

Governor Daane concurred with the views that had been expressed that alcoholism was a disease. He suggested that the Reserve Banks might have a responsibility to continue to try to help an individual with such a problem even after it had been found necessary to terminate his services, especially when the individual
had had a long term of service. He believed that there was almost no such thing as a hopeless case, and that there had been instances in which even persons severely addicted had been completely re-habilitated. In response, Mr. Johnson pointed out that the course Governor Daane suggested would present a practical difficulty in that there was no administrative machinery available through which a program of post-separation assistance could be provided, except that the retiree and his wife or widow usually had access to hospitalization benefits.

Governor Shepardson concurred with the view that alcoholism had come to be regarded as a disease but observed that many behavior factors could enter into the development of the problem. Therefore, he believed it might be well to provide some standard of review even for cases justifiably regarded as arising from disease, rather than to have the Reserve Banks rely entirely on their individual and varying judgments.

In further discussion it was brought out that, although the position recommended by the Personnel Division might be regarded as a reversal of the position taken regarding the 1957 case, the latter case had involved circumstances that quite clearly fell within the area of misconduct. Comments were made on the contrasting principles of delegation of authority to the Federal Reserve Banks to appraise the merits of individual cases and the
desirability that a reasonable degree of uniformity of treatment be insured. It was suggested that a step in the direction of greater uniformity that would still leave discretion to the Banks would be to indicate to the Banks the broad outlines of the Board's present philosophy.

At the conclusion of the discussion the letter to the Federal Reserve Bank of Chicago interposing no objection to supplementation of the retirement allowance of the employee involved in the present case was approved unanimously, with the understanding that an appropriate letter to apprise the Federal Reserve Banks of the Board's present thinking on the general subject would be prepared for the Board's consideration. A copy of the letter to the Federal Reserve Bank of Chicago is attached as Item No. 8.

Mr. Sprecher then withdrew.

Legislative program. Pursuant to the understanding at the meeting on June 11, 1964, the Legal Division had prepared a "package" of possible legislative proposals, distributed to the Board with a memorandum of October 30, 1964. Thirteen proposals were included, relating to advances by Federal Reserve Banks; amendments to the Bank Holding Company Act; reserve requirements; interest on deposits; gold reserves against Federal Reserve notes and Reserve Bank deposits; destruction of Federal Reserve notes;
purchase of obligations of foreign governments by Federal Reserve Banks; direct investments in stock of foreign banks; investment in "general obligations"; loans to executive officers; loans to bank examiners; delegation of authority; and consolidation of Federal banking agencies. Attached to the memorandum were drafts of bills relating to each matter except the last named, explanatory memorandum, and drafts of letters to the Banking and Currency Committees regarding most of the proposals.

The early part of today's discussion centered on the procedural question as to whether legislative proposals that might be agreed upon by the Board should be submitted singly to the Banking and Currency Committees or whether they should be submitted as a package. There was general agreement that none should be submitted until after the first of the year, and that all that might be tentatively agreed upon would be returned to the Board for approval of transmission to Congress, even if the matter of timing was the only question still to be resolved.

Governor Balderston expressed the view that, despite circumstances that made final enactment by the Congress of Board legislative proposals rather doubtful at the forthcoming session, the Board had been in a negative position on so many things so long
that he was anxious to see it take a positive stance and tell the banking community and the public generally what it favored. This end would not be accomplished, he believed, if the proposals were submitted piecemeal.

Governor Daane also commented in the same vein, remarking that the package approach would indicate that the Federal Reserve had a concrete program, whereas separate submission of proposals might not.

Mr. Cardon stated reasons why the chances of substantial results might be better with separate submission of the proposals, although he had doubts that any of those mentioned in the Legal Division's memorandum of October 30 would attract widespread interest in the Congress.

Mr. Hackley stated that in his view, whether or not the legislative proposals were enacted in the coming session or the following one, if the Board felt the legislation would be desirable, it should be on record as proposing it. Such proposals as the Board approved could be sent up as separate items even though they might be submitted at the same time. Some of the proposals were more controversial than others, but in his opinion several were relatively noncontroversial, and their submittal would seem desirable.
The first proposal, Mr. Hackley pointed out, was exactly like the legislation on advances by Federal Reserve Banks proposed by the Board in August 1963. However, the draft of covering letter included a new sentence indicating that the "proposal has no implications with respect to credit policy; its purpose is merely to simplify and modernize provisions of law enacted more than half a century ago on the basis of concepts that have long been abandoned." Mr. Hackley raised a question as to whether or not the Board wished to include that passage, in response to which members of the Board expressed a preference for deleting the sentence.

Governor Shepardson expressed the view that at present use of the discount window at the Reserve Banks was essentially discouraged. Originally, the regional structure of the System and the provision for discounting were for the purpose of taking care of differing needs in different areas. He believed that conditions in some agricultural areas would fully justify greater use of the discount window than was now being made of it. Many country banks felt that discounting was frowned upon, and thus they did not avail themselves of the service. The provision of a 15-day maturity for credit made banks reluctant to ask for discounts when they knew that their need would continue beyond that time. Governor Shepardson asked whether to meet such longer-term credit needs would
require a change in the law, or whether it could be accomplished through regulation or administration.

Mr. Hackley responded that the proposed legislation would remove completely all maturity requirements that were now in the law, but even without that change, the availability of the discount window or the granting of repeated renewals was entirely a matter of policy. The 15-day maturity was not a matter of statute but of regulation, and even in the Board's Regulation A, Advances and Discounts by Federal Reserve Banks, there was provision for renewals if circumstances warranted.

During Mr. Hackley's remarks Messrs. Holland and Koch, Associate Directors, Division of Research and Statistics, entered the room.

Governor Shepardson said that he was aware that the Board's staff and the credit officers of the Reserve Banks had been giving attention to discounting problems, including the one he had mentioned. He felt that the underlying philosophy posed a real policy problem, which he hoped would be considered by the Board at some length at an appropriate time.

Governor Daane said that he too thought the subject deserved extended discussion. He had not been aware that the prevailing
philosophy was one of discouragement of the use of the discount window. A Reserve Bank discount committee on which he had served had considered it perfectly proper to handle seasonal needs even if the credit arising from them remained outstanding for some time. Leaning on the Federal Reserve for capital was frowned upon, but in his observance the Reserve Banks had not given the impression that member banks should not turn to the discount window for seasonal needs or for needs arising from adverse circumstances such as drought.

Mr. Holland stated his understanding that current administration of the discount window contemplated accommodation of emergency needs and also seasonal needs beyond those that a member bank could reasonably handle through its own resources. It was expected that a bank should meet at least part of its own needs, but if the seasonal swing was beyond the size it could handle, the bank was free to come to the discount window. Also, the lower the percentage of nonlocal assets a member bank held, the more the bank was considered entitled to relief at the window.

Governor Daane said he believed that there was considerable variation among the discount windows of the various districts, but he did not think that they were administered with as restrictive a philosophy as bankers or Congressional leaders sometimes contended. He believed that the problem should be explored, with the aim of
insuring that banks felt free to ask for extensions of credit for appropriate uses.

Mr. Koch said that a good deal of research on the seasonal needs question had been done in preparation for the 1955 revision of Regulation A. It had been concluded that it was the function of open market operations to provide the seasonal reserve needs of the country as a whole, but if reserves so supplied did not reach individual banks in direct proportion to their need, there was no intention that the banks that needed more should not come to the discount window. However, it had been thought that if banks got the general impression that they could obtain their entire seasonal needs from the Reserve Bank, judgments as to the total amount to be supplied through open market operations would become invalid. In other words, use of the discount window for general seasonal financing would mean loss of control over seasonal financing through open market operations.

Governor Robertson suggested the need for early efforts by the Board to reach agreement on a revision of Regulation A, and the staff indicated that after all Reserve Banks had responded to the Board's invitation of July 1964 for comments on a proposed revision, a summary would be presented to the Board.
After further discussion it was agreed that the staff would put the proposal for legislation relating to advances by Federal Reserve Banks in form for submission to the Congress early in 1965.

Mr. Holland then withdrew from the meeting.

The discussion then turned to the second possible legislative proposal, relating to amendments to the Bank Holding Company Act.

The only change in the present proposal from the bill submitted by the Board in February 1964, Mr. Hackley said, was the coverage of perpetual trusts in the definition of "company." That coverage was in accord with the position the Board had taken in May 1964 in letters to both Banking and Currency Committees. The proposed bill would adopt a one-bank definition, expressly cover employee benefit trusts, repeal some exemptions, expressly include perpetual trusts, repeal section 6 regarding loans and discounts by subsidiary banks (but with a revision of section 23A of the Federal Reserve Act deemed to cover such transactions adequately), and repeal the holding company affiliate provisions of the Banking Act of 1933.

Governor Robertson suggested that, with respect to the one-bank definition, there be included authority on the part of the Board to exempt specific cases that did not fall within the general category at which the law was aimed. He had in mind in particular the small, one-bank holding company that was a family affair, set up merely to control the family's interests and not as a device to
connect banking and nonbanking interests or to provide a vehicle for later expansion. With such an exemption, he thought that the bill would be more palatable to the Congress and others and also would be more workable.

Governor Mills commented that, while he was in sympathy with Governor Robertson's intention to exclude bank holding companies that were harmless, he believed that to make distinctions would be difficult and would expose the Board to charges of favoritism. Since the exemptions suggested could not be accomplished through a rule of general application, he would infinitely prefer the text of the bill as it had been prepared.

There ensued a discussion of the difficulties that might be encountered in granting exemptions under a power such as Governor Robertson had suggested, and how such an exemption might have applied to specific situations that had been encountered recently. It was pointed out, among other things, that the enactment of such an exemptive power would probably instigate an onslaught of applications for exemptions.

Governor Robertson said that, while he would not want to hold up the submission of the proposed legislation in order to include such a provision, he believed that the Board should at least think through the need for such a power and be ready to discuss it and, perhaps, to offer the suggestion during Congressional hearings.
If a feasible exemptive power could be formulated before the Board was ready to submit the main proposal, it might be included in the bill as transmitted.

At the conclusion of the discussion it was understood that the staff would explore the feasibility of an exemptive power along the lines suggested by Governor Robertson, and that the Board would give further consideration to that point before the proposal regarding amendments to the Bank Holding Company Act was submitted to Congress.

Chairman Martin then returned to the meeting.

Governor Mills suggested that, since the next several subjects in the order listed would probably bring forth extended discussion, the Board next take up the sixth proposal, relating to destruction of Federal Reserve notes.

Mr. Hackley stated that a Treasury draft bill in the form here proposed, providing for local destruction of Federal Reserve notes and allocation of redemption credit among the Reserve Banks, had been endorsed by the Board in a letter to the Bureau of the Budget of March 25, 1964, but the Treasury apparently did not submit the bill to Congress for introduction. The need for such legislation had become greater since the issuance of Federal Reserve notes in the one dollar denomination, and the Board therefore might wish to urge its enactment. However, if the Board should be disposed
to recommend legislation authorizing a single issue of Federal Reserve notes, the bill would not be adequate, since that subject was not covered.

Governor Robertson said that, in his opinion, a recommendation for a single Federal Reserve note issue would be desirable. However, that involved a controversial question, and he would favor submission of the bill in its present form because authority for local destruction of notes was needed promptly.

Governor Daane indicated that he would agree to the bill as presently drafted, without the provision for a single issue of Federal Reserve notes.

There was general agreement that the proposal for local destruction of Federal Reserve notes should be put in form for submission to Congress after the first of the year.

Mr. Hackley then made summary comments regarding the seventh proposal, relating to the purchase of short-term obligations of foreign governments by Federal Reserve Banks. As indicated in the Legal Division's covering memorandum, the System's foreign currency operations had been impeded by the fact that idle funds maintained with foreign central banks might not be invested in interest-bearing Treasury bills of foreign governments. The draft bill attached to the memorandum would recommend an amendment to the Federal Reserve Act that would authorize the Reserve Banks to invest in obligations of foreign
governments having original maturities of not more than one year and payable in a convertible foreign currency. An identical draft bill had been cleared informally with interested staff at the Federal Reserve Bank of New York, and Governor Daane had supplied a copy of the draft bill informally to the Treasury Department in connection with possible legislative proposals of the Administration, as indicated in Governor Daane's memorandum to the Board of August 27, 1964.

Governor Robertson remarked that, while he had no objection to the draft bill, he believed there would be difficulty in making an affirmative case.

Governor Daane observed that the present situation was one-sided in that foreign central banks could invest their funds in U.S. Government obligations and the Federal Reserve could not invest in foreign government securities. His only question was whether or not a 12-month limit on maturities was appropriate, or whether investments should be permitted in obligations with maturities as long as 18 months. As a matter of getting additional flexibility in the use of the funds, a little more than 12 months would seem desirable.

There ensued a discussion of the practical operating problems encountered in investment of idle funds held by the Federal Reserve in foreign central banks, which concluded with general agreement.
that it might be prudent to ask for no more authority than the
minimum that was adequate for facility of operation, but that the
question whether the maturity limitation in the draft bill should
be 12 months or somewhat longer could be explored further.

All members of the staff except Messrs. Sherman and Johnson
then withdrew.

Salary of First Vice President at Chicago. Chairman Martin
referred to the Board's action on November 12, 1964, in approving
a letter to the Deputy Chairman of the Federal Reserve Bank of Chicago
indicating that the Board would not approve an increase at this time
in the salary of the First Vice President since that would depart
from the guidelines established by the Board in its letter of
October 5, 1962, for acting on salaries of Presidents and First
Vice Presidents. The Chairman went on to say that President Scanlon
had raised a question of a possible misunderstanding as a result of
a note appended to the Board's letter a year earlier indicating that
consideration might be given at this time to an increase in the
salary of the First Vice President at Chicago.

All of the members of the Board indicated that they felt
the 1962 guidelines should be adhered to at this time, although this
should not preclude further discussion of the proposed action of the
Chicago Bank if serious embarrassment might be caused to the directors
or others as a result of the apparent misunderstanding a year ago of
the application of the guidelines.
Governor Balderston stated that, while he agreed that the Board should adhere to the guidelines set up in 1962, he was concerned about their application in some cases to First Vice Presidents who were precluded from receiving salary adjustments at intervals of less than three years and who were limited to an increase of no more than $2,500 at such intervals. This contrasted with the ability of Reserve Banks to increase salaries of officers below the rank of First Vice President at more frequent intervals and in larger amounts.

Mr. Johnson said that he believed application of the October 5, 1962, guidelines had resulted in a greater relative compaction in salaries of First Vice Presidents than was anticipated at the time of their adoption. His review had led him to the conclusion that the Board might properly relax the three-year interval in the case of all First Vice Presidents -- not as an exception in an individual case -- and so advise the Reserve Banks, thus permitting salary adjustments for these officers more in keeping with adjustments permitted for officers below the rank of First Vice President. Specifically, he felt that a reduction in the interval from three to two years would be quite appropriate at this time.

During further discussion Chairman Martin expressed the view that salary movements during the period since October 1962 had been substantial and that he suspected the whole structure and
the guidelines then adopted for making changes were in need of revision. He indicated that he would discuss with President Scanlon the matter of the First Vice President's salary at that Bank when he was in Chicago tomorrow and report back to the Board. However, he felt that the best procedure at this time was to adhere to the guidelines without any exceptions in the case of Presidents or First Vice Presidents, with the thought that in the course of the next several months the Board would have an opportunity to review the operation of the salary administration plan and the guidelines since their adoption in the fall of 1962.

There was agreement with Chairman Martin's suggestion.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on November 17, 1964, the following items:

Memorandum from E. J. Johnson, Security Officer, recommending that the position currently occupied by Robert S. McClellan, Analyst, Office of the Controller, be designated sensitive and that the incumbent be granted security clearance, it being understood that because of past employment in a sensitive position with the Department of State and a recent National Agency Check Investigation, the incumbent could be granted security clearance without further investigation or expense to the Board.

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

Transfer

Patricia Ann Schoen, from the position of Stenographer in the Division of Personnel Administration to the position of Stenographer in the Legal Division, with no change in basic annual salary at the rate of $4,630, effective November 22, 1964.
Salary adjustments

Bert Harvey, Messenger, Division of Administrative Services, from $3,680 to $3,805 per annum, effective August 2, 1964.

Margaret E. Jenkins, Relief Cook, Division of Administrative Services, from $3,930 to $4,055 per annum, effective August 16, 1964.

Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointment

Roy L. Stephen as Cafeteria Laborer, Division of Administrative Services, with basic annual salary at the rate of $3,385, effective the date of entrance upon duty.

Salary increases

David Robinson, II, Attorney, Legal Division, from $6,050 to $7,220 per annum, effective November 22, 1964.

Edward Dittrich, Federal Reserve Examiner, Division of Examinations, from $11,670 to $12,495 per annum, with a change in title to Senior Federal Reserve Examiner, effective November 22, 1964.

Acceptance of resignation

Brenda Sullivan, Clerk-Stenographer, Division of Personnel Administration, effective at the close of business November 20, 1964.

[Signature]
Secretary
Board of Directors,
Peoples Trust Company of Bergen County,
Hackensack, New Jersey.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch in the vicinity of the intersection of Main Street and Franklin Avenue, Wyckoff, Bergen County, New Jersey, by Peoples Trust Company of Bergen County, provided the branch is established within one year from the date of this letter, and provided further, that branch operations conducted at 390 Main Street, Wyckoff, are discontinued simultaneously with the establishment of the above branch.

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 Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by Wells Fargo Bank at the southeast corner of the intersection of Geary Boulevard and Stanyan Street, San Francisco, California, provided the branch is established within one year from the date of this letter.

If Wells Fargo Bank is unable to obtain suitable property for the establishment of this branch at the southeast corner of the intersection of Geary Boulevard and Stanyan Street, the Board of Governors approves the establishment of a branch either at the intersection of Geary Boulevard and Commonwealth Avenue or at the intersection of Geary Boulevard and Spruce Street, San Francisco, California, provided the branch is established within one year 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.)
Bank of America National Trust
. and Savings Association,
300 Montgomery Street,
San Francisco, California. 94120

Gentlemen:

Reference is made to your letter of October 1, 1964, transmitted through the Federal Reserve Bank of San Francisco, referring to the Board's letter of May 6, 1963, which authorized Bank of America National Trust and Savings Association to establish a branch in the City of Madrid, Spain, provided such branch was established and opened for business on or before May 1, 1964.

In compliance with your request of March 30, 1964, on April 1, 1964, the Federal Reserve Bank of San Francisco informed your Bank that the Board of Governors had extended until November 1, 1964, the time within which the branch could be established in Madrid.

It is noted that the extension was requested in view of the fact that the enactment of Spanish legislation permitting the entry into Spain of branches of foreign commercial banks was not included in the Decree issued on June 5, 1963, by the Spanish Ministry of Finance, which related to the establishment of Spanish banks, and new branches of such banks. It is also noted that the law permitting the entry into Spain of foreign commercial banks is still pending.

In accordance with the request and on the basis of the information furnished in your letter of October 1, 1964, the Board of Governors extends to November 1, 1965, the time within which your Bank may establish a branch in Madrid, Spain.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Mr. Earle O. Latham,
First Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Latham:

This refers to your letter of October 29, 1964, regarding the penalty of $10,993.90 incurred by The First National Bank of Boston, Boston, Massachusetts, on a deficiency in its required reserves for the computation period ended October 21, 1964.

It is noted that (1) the member bank's current moving of its data processing operations to a new facility has caused confusion and operational difficulties and has necessitated numerous accounting adjustments; (2) two errors that occurred as a result of these adjustments were discovered too late to prevent the deficiency; and (3) your Bank feels that the member bank has had an excellent record in maintaining its reserves.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of $10,993.90 for the period ended October 21, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
November 18, 1964.

Mr. Laurence H. Jones, Vice President and Cashier, Federal Reserve Bank of Chicago, Chicago, Illinois. 60690

Dear Mr. Jones:

This refers to your letter of October 28, 1964, regarding a penalty of $139.23 incurred by the Racine County National Bank, Franksville, Wisconsin, on an average daily reserve deficiency of $66,000 for the computation period ended October 14, 1964.

It is noted that (1) the deficiency resulted from the inexperience of the clerk handling the reserve position in the absence on vacation of the officer in charge; (2) the bank has been a member of the Federal Reserve System only since September 1, 1964, when it converted to a national bank; and (3) the bank carried large excess reserves for the first three periods after it became a member.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of $139.23 for the period ended October 14, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman, Secretary.
Mr. Douglas J. M. Graham, Director,
Midwestern Financial Corporation,
Middendorf, Colgate & Co.,
51 Broad Street,
New York, New York. 10004

Dear Mr. Graham:

The Board appreciates receiving the information contained in your letter of October 15, 1964, that Industrial Bank of the West, Arvada, Colorado, has become a subsidiary of Midwestern Financial Corporation.

As you were advised in the Board's letter of January 16, 1963, with respect to the status of industrial banks under the Bank Holding Company Act of 1956, the Board does not consider such corporations as "banks" for the purpose of that Act unless they accept deposits subject to check or otherwise accept funds which are in actual practice repaid without notice as are demand or savings deposits held by commercial banks. Accordingly, it would appear that if Industrial Bank of the West does not conduct this type of deposit business, Midwestern Financial Corporation would not be subject to the Bank Holding Company Act of 1956.

Also, the Board would not consider industrial banks that do not accept deposits payable upon demand as "banks" within the definition contained in section 2(e) of the Banking Act of 1933, and, therefore, if Industrial Bank of the West does not conduct this type of deposit business, the determination of November 20, 1961, as to the status of Midwestern Financial Corporation as a holding company affiliate, will not be disturbed.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.
Mr. James K. Smith, Secretary-Treasurer,
First of Burlington Agency, Inc.,
First National Bank Building,
Burlington, Colorado.

Dear Mr. Smith:

This refers to the request contained in your letter of October 23, 1964, submitted through the Federal Reserve Bank of Kansas City, for a determination by the Board of Governors of the Federal Reserve System as to the status of First of Burlington Agency, Inc., as a holding company affiliate.

From the information presented, the Board understands that First of Burlington Agency, Inc., was organized for the purpose of engaging in the insurance business; that it is a holding company affiliate by reason of the fact that it owns 5,200 (52 per cent) of the 10,000 outstanding shares of stock of the First National Bank at Burlington, Burlington, Colorado; and that it does not, directly or indirectly, own or control any stock of, or manage or control, any other banking institution.

In view of these facts, the Board has determined that First of Burlington Agency, Inc., is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a); and, accordingly, it is not deemed to be a holding company affiliate except for the purposes of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.
If, however, the facts should at any time indicate that First of Burlington Agency, Inc., might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make further determination of this matter at any time on the basis of the then existing facts, including additional acquisitions of bank stocks even though not constituting control.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
November 18, 1964.

CONFIDENTIAL (FR)

Mr. Hugh J. Helmer,
First Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois  60690.

Dear Mr. Helmer:

Reference is made to your letter of October 19, 1964, regarding the involuntary termination of the services of Mr. Walter A. Mack, an employee of the Detroit Branch.

In view of the circumstances outlined in your letter, the Board agrees with the view of your Bank that this case does not involve dishonesty, misconduct, or insubordination.

The Board's viewpoint takes into consideration the opinion of the Detroit Branch's physician that the "medical profession considers alcoholism and its subsequent effects on a number of organ systems as a distinct and definite disease process." The Board has also consulted other members of the medical profession who are in general agreement with this view and who are of the belief that alcoholism, per se, should no longer be considered as misconduct.

Therefore, the Board will interpose no objection to the Bank's supplementing the retirement allowance of Mr. Mack under the provision of Section 3, Subdivision 2(b), of the Rules and Regulations of the Retirement System.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.