

Minutes for November 27, 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 proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 13 Approval of a discount rate of 4 per cent for the Federal Reserve Banks of Minneapolis and Kansas City.

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.

Chairman Martin

M

Gov. Mills

R.

Gov. Robertson

RCB

Gov. Balderston

BS

Gov. Shepardson

MS

Gov. Mitchell

M

Gov. Daane

DD

Minutes of the Board of Governors of the Federal Reserve System on Friday, November 27, 1964. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Mills  
Mr. Robertson  
Mr. Shepardson

Mr. Sherman, Secretary  
Mr. Broida, Assistant Secretary  
Mr. Young, Adviser to the Board and Director,  
Division of International Finance  
Mr. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Mr. Fauver, Assistant to the Board  
Mr. Brill, Director, Division of Research  
and Statistics  
Mr. Solomon, Director, Division of Examinations  
Mr. Holland, Associate Director, Division  
of Research and Statistics  
Mr. Koch, Associate Director, Division of  
Research and Statistics  
Mr. Partee, Adviser, Division of Research  
and Statistics  
Mr. Katz, Associate Adviser, Division of  
International Finance  
Mr. Reynolds, 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. Eckert, Chief, Banking Section, Division  
of Research and Statistics  
Mr. Keir, Chief, Capital Markets Section,  
Division of Research and Statistics  
Mr. Baker, Economist, Division of International  
Finance  
Mr. Gemmill, Economist, Division of  
International Finance  
Mr. Furth, Consultant

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Money market review. Mr. Axilrod reviewed developments in the Government securities market, illustrating his remarks by reference to distributed tables that indicated yields on U.S. Government securities and dealer positions in Treasury coupon issues. Mr. Holland then presented certain observations on the Government securities market, following which Mr. Baker reported on conditions in foreign exchange markets.

Following discussion based on the review, all members of the staff except Messrs. Sherman, Young, Molony, Fauver, Brill, Solomon, and Spencer withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Johnson, Director, Division of Personnel Administration  
 Mr. Smith, Assistant Director, Division of Examinations  
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations  
 Mr. Hart, Assistant to the Director, Division of Personnel Administration

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 Chemical Bank New York Trust Company, New York, New York, approving the establishment of a branch at 111-01 Queens Boulevard, Forest Hills.	1

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	<u>Item No.</u>
Letter to Girard Trust Bank, Philadelphia, Pennsylvania, approving the establishment of a branch at 3459 Walnut Street.	2
Letter to Bank of Yazoo City, Yazoo City, Mississippi, approving the establishment of a branch in the vicinity of Grand Avenue and Ninth Street.	3
Letter to The Dollar Savings Bank, Niles, Ohio, approving the establishment of a branch at 425 Robbins Avenue.	4
Letter to The Peoples State Bank of Holland, Holland, Michigan, approving the establishment of a branch at 40-42 East 9th Street.	5
Letter to Citizens Trust and Savings Bank, South Haven, Michigan, approving the establishment of a branch in the York Hotel Building, 262 Center Street, provided that operations are discontinued upon completion of the remodeling program for the bank's main office.	6
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch at 851 Burlway Road, Burlingame.	7
Letter to United California Bank, Los Angeles, California, approving an extension of time to establish a branch on State Street between La Cumbre Road and San Roque Road near Santa Barbara.	8
Letter to First Bank and Trust Company of South Bend, South Bend, Indiana, approving an investment in bank premises.	9
Letter to the Federal Reserve Bank of New York approving a revision of the officers' salary structure.	10

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With respect to Item No. 10, Governor Shepardson noted that the revision of the officers' salary structure at the New York Reserve Bank had been discussed by President Hayes and First Vice President Treiber with the Board's Committee on Organization, Compensation, and Building Plans, and the revision was in accord with that discussion.

Report on competitive factors (Muncie-Yorktown, Indiana).

A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Industrial Trust & Savings Bank, Muncie, Indiana, and Yorktown State Bank, Yorktown, Indiana, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

The proposed merger of Industrial Trust & Savings Bank, Muncie, Indiana, and Yorktown State Bank, Yorktown, Indiana, would not have adverse effects on competition.

Report on competitive factors (Owenton-Monterey, Kentucky).

There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed acquisition of assets and assumption of liability to pay deposits of The First State Bank, Monterey, Kentucky, by Peoples Bank & Trust Company, Owenton, Kentucky.

Discussion of the draft report touched upon the possible competitive implications of certain recent transactions involving

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the acquisition of controlling interest of Farmers Bank and First National Bank, both of which were located in Owenton.

The report was then approved unanimously for transmittal to the Corporation, the conclusion reading as follows:

Acquisition of the stock of First State Bank, Monterey, by individuals who are officers and directors of Peoples Bank and Trust Company, Owenton, has principally eliminated whatever competition may have existed between the two banks. Moreover, potential for competition is limited by the size of First State Bank and its location in Monterey, a small rural town with little prospect for growth. The overall effect of the proposed transaction on competition would not be adverse.

Mr. Egertson then withdrew from the meeting.

Maximum interest rates on deposits (Item No. 11). There had been distributed a memorandum from Mr. Hackley dated November 25, 1964, attached to which was a draft statement of interpretations intended to answer certain questions in connection with changes in the maximum permissible rates of interest that member banks may pay on time and savings deposits under the revision of the Supplement to the Board's Regulation Q, Payment of Interest on Deposits, that became effective November 24, 1964. It was recommended that the proposed interpretations be issued in the form of a press release and subsequently published in the Federal Register and the Federal Reserve Bulletin.

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Mr. Hackley, in comments supplementing the information presented in his memorandum, said that the proposed statement of interpretations had been discussed with the Federal Deposit Insurance Corporation; however, it was understood that the Corporation would not in this instance issue a similar statement.

Following discussion during which a number of changes in the draft were agreed upon, the Board approved the statement of interpretations and its issuance today in the form of a press release. It was understood that the statement would be published in the Bulletin and the Federal Register. A copy in the form transmitted to the Federal Register is attached as Item No. 11.

Messrs. Young, Fauver, and Brill then withdrew from the meeting.

Appointment of Chief Examiner at San Francisco (Items 12 and 13).

There had been circulated a memorandum from the Division of Personnel Administration dated November 12, 1964, recommending approval of the payment of salary to Mr. H. B. Jamison as Chief Examiner of the Federal Reserve Bank of San Francisco at the rate of \$14,000 per annum, effective December 1, 1964. The salary rate was that fixed by the Bank's Board of Directors. Attached to the memorandum was a draft of letter to the San Francisco Reserve Bank that would reflect the Board's approval.

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Mr. Johnson said that the appointment of Mr. Jamison as Chief Examiner was of more importance than was usually the case, because in this instance it was likely that he would be appointed Vice President in charge of bank examinations upon the retirement of Vice President Galvin; Mr. Galvin was scheduled for retirement at the end of February 1965.

In supplemental comment, Mr. Solomon remarked that the matter of Mr. Jamison's appointment had been discussed with President Swan. It was felt that Mr. Jamison was qualified to move into the Chief Examiner position and, ultimately, into the position of Vice President in charge of the examination function.

In the discussion that followed, it was understood that the Board would not wish to commit itself at this juncture to the appointment of Mr. Jamison as the officer in charge of the examination function at the Bank. This sentiment was recognized as not being a personal reflection upon Mr. Jamison's qualifications but of the Board's desire to maintain high standards in the quality of supervision in the Bank Examinations Departments at the various Federal Reserve Banks and, in this connection, to strengthen the examination function at the San Francisco Bank. It was felt that the Bank should review every aspect of the matter before filling the vacancy caused by Mr. Galvin's retirement.



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There was general agreement with a suggestion made by Chairman Martin that the draft of letter to the Federal Reserve Bank of San Francisco should be revised to reflect the Board's views on this matter.

Mr. Jamison's appointment as Chief Examiner at the salary rate fixed by the Bank's Board of Directors, effective December 1, 1964, was then approved unanimously. In connection with this action, it was understood that the Bank would be advised that the Board was prepared to approve the retention of the services of Vice President Galvin for one year beyond normal retirement, until March 1, 1966, if requested by the Bank.

A copy of the letter to the Federal Reserve Bank of San Francisco, in the form transmitted, is attached as Item No. 12.

Secretary's Note: In a letter dated December 2, 1964, the Reserve Bank requested the retention of the services of Vice President Galvin. Accordingly, a reply (copy attached as Item No. 13) was sent on December 9, 1964, informing the Bank of the Board's approval.

Mr. Hart then withdrew from the meeting.

Form of examination report. At the conclusion of a discussion at the Board meeting on July 29, 1964, there was a consensus favoring the use of a proposed new form of report of examination of the Federal Reserve Banks on a trial basis. The principal effect of the proposed report was to replace the rather full scale reports

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formerly prepared for each Reserve Bank branch with a brief letter report and to also curtail the contents of the material in the main section of the report. In addition, the summarizing memorandum to the Board was to be replaced by a simple note, to be circulated with the report, indicating certain pages that might deserve special attention.

There had been circulated to the Board the reports of examination of the Federal Reserve Banks of Cleveland and Minneapolis as of July 20, 1964, and August 17, 1964, respectively. Both reports had been prepared in a manner that was to reflect the understanding at the meeting on July 29 of how such reports were to be presented. The two reports of examination were listed on the agenda for discussion at today's meeting.

Governor Mills, commenting upon the examination reports, indicated that he felt they tended to be too abbreviated in content, failing to provide sufficient information to acquaint the members of the Board fully with the internal position of the Banks examined. In his opinion, the exclusions from the reports were greater than was desirable. Also, the reports had not indicated areas where the sampling technique was employed in substitution of verification procedures heretofore used. Furthermore, the reports seemed to imply acceptance of the various expenditures on the part of the Reserve Banks by indicating that there were no expenditures not

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covered by the Board's approval. While he recognized that differences of opinion could be genuine whether an expenditure fell within the scope of having Board approval, he believed there were probably expenditures that warranted comment. It was his feeling that such expenditures should be submitted to the Board for review.

In a general discussion that followed Governor Mills' remarks, Mr. Solomon noted that in the case of certain Reserve Bank activities use of the sampling technique had replaced verification during an examination. The use of such sampling techniques had been in line with recommendations made by Haskins & Sells, which recommendations had been approved by the Board. However, sampling was not used with respect to determining the propriety of a Reserve Bank's expenditures. Each expense was reviewed for propriety. If there was any question, the expenditure was brought before the Board or entered in the report of examination.

Mr. Solomon then went on to describe a recent meeting that he had attended with representatives of Haskins & Sells. While that firm had not submitted its report, Mr. Solomon believed that it would favor the current form of examination report.

There followed further discussion with respect to the form of examination reports as represented by the Cleveland and Minneapolis reports. At the conclusion of this discussion, there was agreement with a suggestion by Chairman Martin that the matter of

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the form of examination reports should be considered further at a time when all members of the Board were present.

Examinations of Cleveland and Minneapolis Reserve Banks.

Following the foregoing discussion, Mr. Smith summarized the information presented in the reports of examination of the Federal Reserve Banks of Cleveland and Minneapolis made by the Board's examining staff as of July 20, 1964, and August 17, 1964, respectively, both of which had been circulated to the Board.

It appeared that the examinations had not disclosed any matters that were regarded as calling for action by the Board.

Mr. Johnson then withdrew from the meeting.

Ratification of telegram to Kansas City regarding certain litigation (Item No. 14). Mr. Sherman presented for ratification a telegram that had been sent, following a discussion with Governor Shepardson, on the afternoon of November 25, 1964, to Mr. Floyd J. Mathews, Assistant Cashier and Assistant Federal Reserve Agent at the Federal Reserve Bank of Kansas City. The telegram authorized Mr. Mathews to comply with a subpoena served on him calling for the production of all books and documents reflecting receipt and issue of certain Federal Reserve notes in connection with litigation involving the United States of America v. William Merle Canaday in the United States District Court for the Western District of Missouri. Also included in the telegram

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was authorization for Mr. Mathews to testify regarding the books and documents produced if he was required to do so.

The sending of the telegram, a copy of which is attached as Item No. 14, was ratified by unanimous vote.

Bank of Powhatan (Item No. 15). Mr. O'Connell referred to the Board's action on November 12, 1964, pursuant to which a telegram had been sent to the Federal Reserve Bank of Richmond authorizing access by an Assistant United States Attorney to the open section of certain reports of examination and other data relating to Bank of Powhatan, Powhatan, Virginia. The request by the United States Attorney for access to the examination reports was in connection with criminal action pending in the U.S. District Court for the Eastern District of Virginia entitled United States v. James Lovelace Tribble. The defendant, a former executive vice president of the bank, was charged with wrongful and unauthorized use of the bank's funds and with making an unauthorized extension of credit.

Mr. O'Connell stated that in a letter dated November 24, 1964, Vice President and General Counsel Welford S. Farmer of the Federal Reserve Bank of Richmond advised that subpoenas had been served at the request of the United States Attorney calling for testimony on December 1, 1964, by Vice President John L. Nosker,

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Examining Officer Chester D. Porter, Jr., and Examiner John M. Beducian in connection with the aforementioned litigation. It was understood that the testimony that it was anticipated would be required would probably relate to the contents of certain records of Bank of Powhatan, including reports of examination of the bank prepared by the Reserve Bank examiners, dated November 18, 1961, May 7, 1962, June 3, 1963, and August 7, 1963. The production of such reports and related materials by officials of Bank of Powhatan was understood to have been ordered by the District Court Judge.

A draft of letter had been prepared that would reflect Board authorization for Messrs. Nosker, Porter, and Beducian to appear in the District Court in response to the subpoenas issued and to give such testimony as might be required. However, this authorization would not include production by the witnesses of any documents from the Reserve Bank's files.

The letter to the Federal Reserve Bank of Richmond was approved unanimously in the form attached as Item No. 15.

The meeting then adjourned.

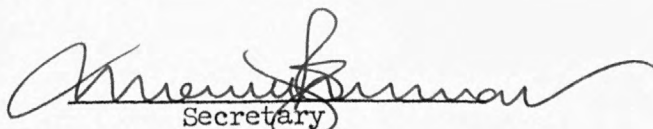
Secretary's Notes: Telegrams were received today from the Federal Reserve Banks of Minneapolis and Kansas City stating that the directors of those Banks had established, subject to review and determination by the Board of Governors, a rate of 4 per cent (rather than 3-1/2 per cent) on

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discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act; a rate of 4-1/2 per cent (rather than 4 per cent) on advances under section 10(b); and a rate of 5 per cent (rather than 4 per cent at the Minneapolis Bank and 4-1/2 per cent at the Kansas City Bank) on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13. Pursuant to the authorization given at the meeting on November 23, 1964, the Secretary informed the Banks by telegram of the Board's approval of the rates established by their directors, effective November 30, 1964. A press statement was issued at 4:00 p.m. EST, all Reserve Banks and branches were notified by telegram, and arrangements were made for publication of a notice in the Federal Register.

Governor Shepardson today approved on behalf of the Board a telegram to the Federal Reserve Bank of New York (attached Item No. 16) approving the designation of Robert Meyer as special assistant examiner.

  
Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 1  
11/27/64

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.



Board of Directors,  
Chemical Bank New York Trust Company,  
New York, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Chemical Bank New York Trust Company, New York, New York, of a branch at 111-01 Queens Boulevard, Forest Hills, Borough of Queens, New York, 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.)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

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Item No. 2  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Board of Directors,  
Girard Trust Bank,  
Philadelphia, Pennsylvania.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Girard Trust Bank, Philadelphia, Pennsylvania, of a branch at 3459 Walnut Street, Philadelphia, 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. 3  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Board of Directors,  
Bank of Yazoo City,  
Yazoo City, Mississippi.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Bank of Yazoo City, Yazoo City, Mississippi, of a branch in the vicinity of the intersection of Grand Avenue and Ninth Street, Yazoo City, Mississippi, 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.)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

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

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Dollar Savings Bank, Niles, Ohio of a branch at 425 Robbins Avenue, Niles, Ohio, 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.)

Item No. 5  
11/27/64BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964



Board of Directors,  
The Peoples State Bank of Holland,  
Holland, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by The Peoples State Bank of Holland, Holland, Michigan, of a branch at 40-42 East 9th Street, Holland, Michigan, 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.)

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

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Item No. 6  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Board of Directors,  
Citizens Trust and Savings Bank,  
South Haven, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Citizens Trust and Savings Bank, South Haven, Michigan, of a branch in the York Hotel Building, 262 Center Street, South Haven, Michigan, provided the branch is established within six months from the date of this letter and provided further that branch operations at 262 Center Street are discontinued upon completion of the remodeling program for Citizens Trust and Savings Bank's main office.

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. 7  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Board of Directors,  
Wells Fargo Bank,  
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch at 851 Burlway Road, Burlingame, San Mateo County, 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.)



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25, D. C.

Item No. 8  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Board of Directors,  
United California Bank,  
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to June 22, 1965, the time within which United California Bank may establish a branch on State Street between La Cumbre Road and San Roque Road in an unincorporated area adjacent to and west of the city of Santa Barbara, California.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.



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BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON 25. D. C.

Item No. 9  
11/27/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

Board of Directors,  
First Bank and Trust Company of  
South Bend,  
South Bend, Indiana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, a direct and indirect investment of not to exceed \$636,000 in bank premises by First Bank and Trust Company of South Bend, South Bend, Indiana, for the remodeling of the bank's main office.

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. 10  
11/27/64



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.

CONFIDENTIAL (FR)

Mr. Alfred Hayes, President,  
Federal Reserve Bank of New York,  
New York, New York 10045.

Dear Mr. Hayes:

The Board of Governors has approved, effective immediately, the following minimum and maximum ranges for the respective officer salary groups at the Federal Reserve Bank of New York, as requested in your letter of November 5, 1964.

<u>Group</u>	<u>Minimum</u>	<u>Maximum</u>
A	\$26,000	\$37,500
B	22,500	32,000
C	19,000	28,500
D	16,500	24,750
E	14,500	21,000

It is noted that Salary Group F has been eliminated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

## TITLE 12 - BANKS AND BANKING

## CHAPTER II - FEDERAL RESERVE SYSTEM

## SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

## [Reg. Q]

## PART 217 - PAYMENT OF INTEREST ON DEPOSITS

## Maximum Interest Rates

§ 217.139 Explanatory statement regarding maximum interest rates on deposits.

(a) The following comments are intended to answer certain questions in connection with changes in the maximum permissible rates of interest that member banks may pay on time and savings deposits under the revision of § 217.6 of this Part (Supplement to Regulation Q) that became effective November 24, 1964.

(b) Time certificates of deposit issued prior to November 24, 1964, may be amended by a member bank, if desired, to bear interest up to the new applicable increased maximum rates for any period subsequent to that date. For example, a certificate dated July 1, 1964, maturing July 1, 1965, may be amended to bear interest up to a rate of 4-1/2 per cent for any period subsequent to November 24, 1964. (As hereafter noted, the rate would be subject to any restrictions imposed by applicable State law.)

(c) While the revised § 217.6, like the section previously in effect, fixes a maximum rate of interest that may be paid on any time deposit having a maturity of less than 90 days, the section must, of course, be read in connection with the other provisions of

this Part. A deposit with a maturity of less than 30 days would not constitute a "time deposit" within the meaning of the provisions of § 217.1 and, unless it met the definition of a savings deposit, the deposit would constitute a demand deposit upon which the payment of interest would not be permissible.

(d) The new maximum rates are not retroactive. Consequently, a savings deposit that has remained on deposit for less than 12 months prior to November 24, 1964, may bear interest at a rate up to not more than 4 per cent for any period beginning with such date but may not bear interest at a rate in excess of 3-1/2 per cent for any period prior to such date, except that, if and when a savings deposit, which was in the bank prior to November 24, 1964, has remained in the bank for a full 12-month period, interest may then be adjusted to provide a yield of not more than 4 per cent from the date of the deposit.

(e) It should be borne in mind that State member banks are subject also to any provisions of State law or regulations thereunder that prescribe maximum rates of interest that they may pay on time and savings deposits, and in some cases State-prescribed rates may be less than the maximum rates prescribed by the Board. In addition, under section 24 of the Federal Reserve Act (12 U.S.C. 371), national banks may not pay interest on time or savings deposits at a rate in excess of the highest rate authorized by State law to be paid upon such deposits by State banks or trust companies.

(f) It should be emphasized that § 217.6 of this Part prescribes only maximum rates of interest that member banks may pay on time and savings deposits. Member banks are free, of course, to pay lower interest rates if they so desire.

(12 U.S.C. 248(i). Interprets or applies 12 U.S.C. 371b.)

Dated at Washington, D. C., this 27th day of November, 1964.

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

(Signed) Merritt Sherman

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Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 12  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD  
November 27, 1964.



CONFIDENTIAL (FR)

Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120

Dear Mr. Swan:

The Board of Governors approves the payment to Mr. H. B. Jamison, Chief Examiner, Federal Reserve Bank of San Francisco, of salary at the rate of \$14,000 per annum, effective December 1, 1964. The salary rate approved is that fixed by your Board of Directors, as reported in your letter of November 6, 1964.

As you know the Board has a special interest in maintaining high standards in the quality of supervision in the Bank Examination Departments at the various Federal Reserve Banks. While approving the appointment of Mr. Jamison as Chief Examiner, the Board does not commit itself to approving his promotion to the officer in charge of Bank Examinations upon the retirement of Mr. Galvin. This is not intended as a personal reflection on Mr. Jamison but merely an indication of the Board's hope that the Bank will review all possibilities very closely before action is taken for replacement of Mr. Galvin.

Also, in view of the circumstances outlined in your letter of November 6, the Board is prepared to approve the retention of the services of Vice President Galvin for one year beyond normal retirement, until March 1, 1966, if so requested by your Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

4080

Item No. 13  
11/27/64

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

December 9, 1964.



CONFIDENTIAL (FR)

Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California 94120.

Dear Mr. Swan:

The Board of Governors approves the retention of the services of Vice President Galvin for one year beyond normal retirement until March 1, 1966, as requested in your letter of December 2, 1964.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

**T E L E G R A M**

LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

4081

Item No. 14  
11/27/64

November 25, 1964.

Mathews - Kansas City

Re U.S. v. Canaday and your wire of this date, Board authorizes your compliance with subpoena served on you calling for production of all books and documents reflecting receipt and issue of Federal Reserve notes listed as attachment to your Bank's letter of August 29, 1961, to Attorney Shine. Authorization herein includes your testimony if required pertaining to books and documents produced. Urge that you state for record that your appearance and testimony are pursuant to subpoena and have been authorized by Board.

(Signed) Merritt Sherman

Sherman

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 15  
11/27/64

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

November 27, 1964.



Mr. W. S. Farmer, Vice President  
and General Counsel,  
Federal Reserve Bank of Richmond,  
Richmond, Virginia. 23213

Re: United States v. James L. Tribble,  
Docket No. 7456; U.S.D.C. E.D. Va.

Dear Mr. Farmer:

This refers to your letter dated November 24, 1964, enclosing copies of subpoenas which have been served in the above case, at the request of the United States Attorney, calling for testimony on December 1, 1964, in the United States District Court by the following members of your Bank's staff: John L. Nosker, Vice President; Chester D. Porter, Jr., Examining Officer; and John M. Beducian, Examiner. Through conversations which you have had with Mr. O'Connell of the Board's staff, it is understood that the testimony which it is anticipated will be required of Messrs. Nosker, Porter, and Beducian will relate to the contents of certain records of the Bank of Powhatan, Powhatan, Virginia, including reports of examination of the Bank of Powhatan prepared by examiners for your Bank, dated November 18, 1961, May 7, 1962, June 3, 1963, and August 7, 1963. The production of these reports and related materials by officials of the Bank of Powhatan we understand to have been ordered by District Court Judge John D. Butzner on November 20, 1964.

The Board authorizes Messrs. Nosker, Porter, and Beducian to appear in District Court in response to the subpoenas issued and to give such testimony as may be required. Inasmuch as the subpoenas do not call for the production of documents by the witnesses, the authorization herein given does not extend to production by the witnesses of any documents from your Bank's files.

In respect to the testimony that may be given by members of your Bank's staff, it is understood that you, as General Counsel of the Bank, will be permitted to enter a limited appearance before the Court and, through the Assistant United States Attorney who is



Mr. W. S. Farmer

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prosecuting the case, make known any objection which you may have to any line of questioning addressed to your Bank's employees. It is suggested that you endeavor, to the fullest extent possible under your limited appearance, to have the testimony of your Bank's employees restricted to matters commented upon in the aforementioned reports of examination and related materials. It is further suggested that steps be taken to assure that the trial record reflects the fact that Messrs. Nosker, Porter, and Beducian are appearing in response to subpoenas issued at the request of the United States, and that any testimony which is given without objection by you is given under prior authorization of the Board.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

TELEGRAM  
LEASED WIRE SERVICE

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM  
WASHINGTON

4084

Item No. 16  
11/27/64

November 27, 1964

QUACKENBUSH -- NEW YORK

Reur request today, Board approves designation of Robert Meyer as special assistant examiner for Federal Reserve Bank of New York to participate in examination of The Citizens Trust Company of Schenectady, New York, Schenectady, New York.

(Signed) Elizabeth L. Carmichael

CARMICHAEL