Minutes for December 11, 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 Friday, December 11, 1964. The Board met in the Board Room at 9:30 a.m.

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

         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. Fauver, Assistant to the Board
         Mr. Hackley, General Counsel
         Mr. Brill, Director, Division of Research and
         Statistics
         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. Solomon, Associate Adviser, Division of
         Research and Statistics
         Mr. Hersey, Adviser, Division of International
         Finance
         Mr. Katz, Associate Adviser, Division of
         International Finance
         Mr. Reynolds, Associate Adviser, Division
         of International Finance
         Mr. Axilrod, Chief, Government Finance Section,
         Division of Research and Statistics
         Mr. Eckert, Chief, Banking Section, Division
         of Research and Statistics
         Mr. Bernard, Economist, Division of Research
         and Statistics
         Mr. Gemmill, Economist, Division of International
         Finance
         Mr. Furth, Consultant
Money market review. There were distributed tables affording perspective on the money market and bank reserve utilization, together with data on recent interest rate developments, U.S. short-term capital flows, and net outflows on long-term bank loans. Mr. Bernard commented on recent developments in the Government securities market; Mr. Eckert discussed bank reserves, bank credit, and the money supply; and Mr. Gemmill reported on foreign exchange market developments and capital flows.

All of the members of the staff except Messrs. Sherman, Broida, Hackley, and Holland then withdrew from the meeting, as did Mr. Furth, and the following entered the room:

Mr. Solomon, Director, Division of Examinations  
Mr. Leavitt, Assistant Director, Division of Examinations  
Mr. Egertson, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, St. Louis, Minneapolis, Kansas City, and Dallas on December 10, 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.

Report on competitive factors (Clarion-Galt, Iowa). A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed purchase of assets and assumption of liabilities of Bank of Galt, Galt, Iowa, by Wright County State Bank, Clarion, Iowa,
was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

Consummation of the proposed absorption of Bank of Galt, Galt, Iowa, by Wright County State Bank, Clairon, Iowa, a subsidiary of Brenton Companies, Inc., Des Moines, Iowa, a registered bank holding company, would eliminate only minor competition. The overall effect of the transaction on competition would not be adverse.

Mr. Smith, Assistant Director, Division of Examinations, and Mr. Kiley, Assistant Director, Division of Bank Operations, then entered the room.

**Examination of Kansas City Reserve Bank.** There had been circulated to the Board the report on the examination of the Federal Reserve Bank of Kansas City made by the Board's examining staff as of September 8, 1964. The usual accompanying memoranda also had been circulated.

In reviewing the examination findings, Mr. Smith called to the Board's attention certain problems connected with borrowings from the Reserve Bank by two member banks in the District. In the course of the discussion Board members expressed interest in the status of staff work looking toward an over-all appraisal of current policies and practices in discount administration by the System. Mr. Holland briefly described the nature of the work in progress, and indicated that it was expected that a System-wide program in this area would be proposed to the Board shortly after the first of the year.
Mr. Smith also noted that the examination report discussed a recent case of an unexplained disappearance of $4,900 in currency at the Omaha Branch. During discussion, Mr. Smith indicated that appropriate authorities had been notified and investigations made, and that it had been the conclusion of the Reserve Bank that the disappearance had resulted from an inadvertent error and did not reflect malfeasance by any employee. No other matters disclosed by the examination appeared to require action by the Board.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to International Banking Corporation, New York, New York, acknowledging receipt of notice of the intent of The Bank of Monrovia, Monrovia, Liberia, to establish a branch in Bomi Hills, Liberia.

Governor Shepardson today approved on behalf of the Board the following items:

Memorandum from the Office of the Controller dated December 11, 1964, submitting, with a favorable recommendation, requests from divisions and offices of the Board for approval of anticipated 1964 overexpenditures in the various budget accounts.

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

Salary increases

- Bernice Bell, Stenographer, Division of Examinations, from $4,005 to $4,480, effective December 6, 1964.
- Millicent R. Hudnall, Stenographer, Division of Examinations, from $4,005 to $4,480, effective December 6, 1964.

Permission to engage in outside activity

- Walter W. Graves, Cafeteria Laborer, Division of Administrative Services, to work for a home and auto supply company on a part-time basis.