Minutes for February 10, 1965.

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 M

Gov. Mills

Gov. Robertson R

Gov. Balderston CCB

Gov. Shepardson

Gov. Mitchell

Gov. Daane

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, February 10, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Shay, Assistant General Counsel
Mr. Reynolds, Associate Adviser, Division of International Finance
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Messrs. Egertson and McClintock, Supervisory Review Examiners, Division of Examinations
Mr. Furth, Consultant

Mr. Holmes, Vice President, Federal Reserve Bank of New York

Investment in bank premises (Item No. 1). Unanimous approval was given to a letter to The Provident Bank, Cincinnati, Ohio, approving an investment in bank premises. A copy of the letter is attached as Item No. 1.

Reports on competitive factors. After discussion, unanimous approval was given to the transmittal to the Comptroller of the Currency of a report on the competitive factors involved in the proposed merger of The Birmingham National Bank, Derby, Connecticut, and The Home Trust Company, Derby, Connecticut, into The Second National Bank of New Haven, New Haven, Connecticut. The conclusion read as follows:

> The Birmingham National Bank, Derby, and The Home Trust Company, Derby, have been affiliated for many years. The proposed merger of these banks with The Second National Bank of New Haven would eliminate a small amount of competition.
>
> While consummation of this transaction would remove the "home office protection" from the community of Derby, thereby permitting the entry of offices of other banks, it would further increase the concentration of banking resources in the New Haven area.

Pursuant to the understanding at the meeting on February 8, 1965, there had been distributed a revised draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The Peoples National Bank of Lexington, Lexington, Virginia, into The First National Exchange Bank of Virginia, Roanoke, Virginia.

The revised report was approved unanimously for transmittal to the Comptroller. The conclusion therein read as follows:

> The proposed merger would eliminate little competition existing between The First National Exchange Bank of Virginia, Roanoke, and The Peoples National Bank of Lexington, and would

not significantly alter First National's competitive capacity in the areas in which it currently operates nor alter its position in relation to other large banks in the State. However, consummation of the transaction would expand First National's geographic coverage into an additional county and further concentrate banking resources into holding companies and large banks in the southwestern section of Virginia. In this respect, consummation of the merger would again alter the banking structure in an area, which, since February 1963, has witnessed the loss of three independent institutions--one through merger and two through acquisition by a holding company. The remaining area independent banks would be exposed to the competitive capabilities of another large institution.

Messrs. Egertson and McClintock then withdrew from the meeting.

Review of foreign currency operations. There had been distributed a memorandum from Mr. Molony dated February 8, 1965, transmitting a draft review of open market operations in foreign currencies prepared by the Special Manager of the System Open Market Account and proposed for inclusion in the Board's Annual Report for 1964.

In a discussion of the draft several changes of an editorial nature were suggested, and means whereby these suggestions might be accommodated were agreed upon.

Governor Mitchell then suggested that the draft review tended to give an impression that the Federal Reserve System, in its foreign currency operations, was undertaking to manage the currencies of other countries rather than entering into such operations for the purpose of strengthening and protecting the U.S. dollar. There was general agreement that the necessary steps should be taken to avoid creating such an impression, and Mr. Young expressed the view that this could be accomplished by careful editing. It was noted that Mr. Coombs had undertaken to clear with the central banks concerned the portions of the draft review referring to the currencies of such countries. However, it was understood that no commitments had been made up to this point and that there was no substantial reason why such changes as the Board desired could not be worked out.

Accordingly, agreement was expressed with a suggestion by Chairman Martin that the Board's staff work with Mr. Coombs to effect changes in the review for the purpose that had been indicated at this meeting and that a revised draft then be submitted.

Philadelphia salary structure (Item No. 2). As recommended in a memorandum from the Division of Personnel Administration dated January 29, 1965, which had been circulated, unanimous approval was given a letter to the Federal Reserve Bank of Philadelphia approving a revision of the Bank's salary structure applicable to employees. A copy of the letter is attached as Item No. 2.

Messrs. Johnson and Sprecher then withdrew from the meeting and Messrs. Broida, Assistant Secretary, Cardon, Legislative Counsel, and Koch, Associate Director, Division of Research and Statistics, entered the room.

Foreign lending by U.S. financial institutions (Items 3 and 4). Chairman Martin noted that the President's balance of payments message to the Congress was to be delivered at noon today but that the final draft of the message was not yet available. The message would of course have to be reviewed carefully, particularly insofar as it dealt with the program for voluntary restraint on foreign lending by U.S. banks and nonbank financial institutions. The circular proposed to be sent by Federal Reserve Banks to member and nonmember banks, as redrafted under date of February 9, 1965, would have to be checked to make sure that it was in conformity with the text of the President's message. It seemed definite, however, that bankers and industrialists representing organizations engaged actively in foreign lending and investment would be invited to meet with the President at the White House on Thursday, February 18. As to the bankers, the Board would be asked by the Treasury to assist in preparing a list of persons to whom White House invitations would be sent. Depending on the timing of the White House meeting, it was planned that the Board would invite the bankers, and perhaps representatives of nonbank financial institutions, to meet at the Federal Reserve Building for further discussion of the voluntary effort to restrain foreign lending.

Chairman Martin then suggested that Governor Robertson be designated as the member of the Board in whom responsibility would be centered for administration of the voluntary program as it affected banks, and nonbank financial institutions if they fell within the Board's purview for this purpose, and after discussion, Governor Robertson was so designated.

Chairman Martin also stated that language reportedly would be included in the President's message indicating that legislation would be sought to provide antitrust immunity for certain agreements and programs entered into in connection with the voluntary effort, but that in the meantime the procedures followed should avoid conflict with the antitrust laws.

There ensued a general discussion regarding various aspects of the voluntary program in the course of which Chairman Martin commented in reply to a question that the circular to be sent by the Reserve Banks should contain language indicating that there was no commitment at this point to establish technical advisory committees. The question could be resolved in the light of further developments as the program proceeded.

Chairman Martin noted that there would shortly be a telephone conference with the Presidents of the Federal Reserve Banks, the principal purpose of which would be to inform them concerning the fact that the President's message would be delivered at noon today and to receive any comments they might have concerning the proposed Reserve Bank circular, a draft of which had been sent to them by wire.

Mr. Young commented that the Presidents could be reminded of the fact that under the procedures called for by the circular they were to write letters to those banks actively engaged in foreign lending inviting them to the Reserve Banks for consultation on an individual bank basis. It might also be pointed out that there would have to be a request to banks for permission to give the Federal Reserve access on a voluntary basis to certain information on foreign lending currently being reported to the Treasury, and that a draft of letter to be sent by the Reserve Bank Presidents to the commercial banks involved would be transmitted to the Presidents in due course. He also noted that there was the question whether a press release should be issued by the Board today, and Mr. Molony commented that the text of such a release could draw largely upon the circular that was to be sent by the Reserve Banks to member and nonmember banks. The issuance of such a release was authorized.

The telephone conference was held at this point. All of the Reserve Banks were represented by their Presidents except that First Vice President Helmer represented the Federal Reserve Bank of Chicago and First Vice President Strothman represented the Federal Reserve Bank of Minneapolis.

In preliminary comments Chairman Martin informed the Presidents along the lines that had been suggested earlier and told them that copies of the President's balance of payments message would be sent to them as soon as available. He invited suggestions on the draft circular and noted that the draft would be reviewed in the light of the President's message. The final draft of the circular would then be sent to the Reserve Banks by wire this afternoon. Chairman Martin also referred to the question of the antitrust laws and the legislation that was to be sought.

The Chairman said that Governor Robertson had been designated by the Board to have major responsibility at the Board level for administration of the voluntary lending restraint effort. He further stated that the question of naming a technical advisory committee or committees was under consideration and that no action to form such committees should be taken for the time being.

President Ellis inquired as to when conferences with individual banks should be scheduled by the Reserve Banks, and Chairman Martin indicated that they should be scheduled as promptly as practicable after the White House meeting on February 18. President Ellis said that apparently five banks in the First District were active enough in foreign lending (outstanding credits of $5 million or more at end of 1964) to be invited for such consultations and that there might be a few others as full information became available. He also raised several procedural questions, to which Chairman Martin responded.

President Hayes expressed the view that it was important for the circular to contain some indication of flexibility in applying the standards of the voluntary program to credits to particular foreign countries. If there was no indication of administrative flexibility, he saw danger of aggravating problems abroad, in which connection he referred particularly to the British and Japanese situations. Chairman Martin said he understood that there might be some reference of this nature in the President's message and that the draft circular would be reviewed with Mr. Hayes' suggestion in mind. President Hayes then observed that the draft circular in its present form did not contain guidance as to types of foreign credits that would be considered undesirable when the voluntary program was in effect. He felt that some such guidance would be helpful to the banks. President Hayes also noted that the circular indicated the Federal Reserve System would do everything possible to insure the success of the President's balance of payments program. While he realized it probably would not be advisable to make any very specific reference to monetary policy, he wondered whether the circular could not contain some reference to using the powers in the hands of the System as necessary. Chairman Martin replied that he understood there would be some reference to monetary policy in the President's message. After the text of the message was available, the draft circular could be reviewed in light of it, but the matter would have to be considered carefully. President Hayes then made certain suggestions for clarifying changes in the language of the circular, following which he raised the point whether appropriate advice concerning the President's message and the voluntary program would be transmitted to foreign central banks, and Chairman Martin replied that this would be taken care of by messages sent from the Board. In response to a question from Mr. Hayes, the Chairman said that no Board press conference was contemplated but that a press release would be issued. In reply to a question by the Chairman, President Hayes indicated that there were 40 to 50 banks in the Second District that were engaged substantially in foreign lending.

Mr. Bopp said there were five or six banks in the Third District that were doing a substantial amount of foreign lending. He asked if the Federal Reserve would have responsibility for non-bank financial lenders, and it was indicated that this would probably be the case, although the matter had not yet been finally resolved. President Bopp also asked whether a Federal Reserve Bank meeting with a group of banks engaged in foreign lending would involve any antitrust problem, and Chairman Martin replied affirmatively. He reiterated that legislation was going to be sought by the Administration to cover the antitrust problem.

President Hickman said there were six banks in the Fourth District with outstanding foreign loans and investments in excess of $5 million. He then raised several questions about interpretation of the objective stated in the draft circular that foreign credits extended during 1965 be held to an amount not more than 5 per cent in excess of outstandings at the end of 1964. After some discussion of these questions, President Hickman indicated that he felt a strict interpretation of the 5 per cent limit would seriously limit export financing by Fourth District banks, because he understood that most of their outstanding credits were for such purpose. He believed there should be some room for administrative flexibility. In reply to a question from Mr. Hickman regarding credits to underdeveloped countries, Chairman Martin said he understood there would be some reference to underdeveloped countries in the President's message; however, this was a phase of the program that would have to be worked out more definitely in the light of developments.

President Wayne said there were apparently only two banks in the Fifth District with foreign credits outstanding at the end of 1964 in excess of $5 million. In the case of the bank whose credits were by far the largest, he understood that Canadian credits were involved for the most part. President Wayne inquired about sending the circular to nonbank financial institutions, and it was indicated that the Presidents should exercise their judgment, within a general framework of endeavoring to place the circular in the hands of financial institutions that seemed likely to be affected significantly by the voluntary program. As to savings and loan associations, it was not believed, on the basis of available information, that many of them, if any, had foreign credits on their books. Types of institutions that might come under the program included banks, investment companies, insurance companies, finance companies, and pension funds.

President Bryan said he was not certain as to the number of banks in the Sixth District that would be significantly affected, but on the basis of current reports there might be no more than one or two. He asked about the application of the program in cases where banks held participations in credits originated by other banks, and Chairman Martin indicated that presumably any bank would be asked to share in the program to the extent of its participations.

A question was also raised about the activities of organizations such as the Inter-American Development Bank and the Export-Import Bank, and Chairman Martin said they would presumably be brought into the program in some way. This would be worked out in Washington. Another question raised at this point had to do with bank loans to U.S. corporations to enable such corporations to finance activities abroad, and it was suggested that this might call for some exploration with the Department of Commerce, which had responsibility for the part of the program relating to corporate investments.

First Vice President Helmer indicated that there were eight banks in the Seventh District with foreign credits at the end of 1964 in excess of $5 million, and President Shuford said there apparently were only three or four such banks in the Eighth District. In reply to a question by Mr. Shuford, Chairman Martin reiterated that the circular only referred to the possibility of establishing technical advisory committees, to which he added that this would have to be considered further as the program developed. First Vice President Strothman said there were no banks in the Ninth District with foreign credits outstanding of as much as $5 million, and President Clay noted that the situation was the same in the Tenth District. This meant that certain appropriate changes would be made by those Reserve Banks in pertinent parts of the circular.

President Irons said there appeared to be four banks in the Eleventh District with foreign credits outstanding of more than $5 million, with indication that the credits were principally to Mexico and Japan. He asked for further information as to when conferences should be scheduled with the banks involved, and it was indicated that this should be done at the earliest convenient time after the February 18 meeting at the White House. Chairman Martin repeated at this point that no technical advisory committees should be appointed by the Reserve Banks at this time.

President Swan asked for and received information about matters such as the appropriate distribution of the circular. He also inquired about certain aspects of the application of the program to foreign branches of U.S. banks. On the last point, it was indicated that there were a number of difficult problems involved that would have to be worked on further.

In additional discussion further reference was made to the application of the 5 per cent limit, with indication given that according to present thinking banks would be expected to accommodate export credits within the 5 per cent limit by cutting back on other foreign credits. Reference also was made to the Canadian situation as it would be affected by extension of the interest equalization tax through the Gore amendment.

Chairman Martin concluded the telephone conference with comments in which he observed that inequities were bound to arise under a program of this kind and that all reasonable efforts would have to be made to minimize them. He noted that the space problem would limit attendance at the White House meeting, that the timing of the meeting at the Federal Reserve Building would depend somewhat on how the White House arrangements were worked out, and that the Board might want to have a meeting with the Reserve Bank Presidents on February 18 prior to the White House meeting. He added that the draft Reserve Bank circular would be reviewed and revised in the light of comments that had been received, including those of the Presidents, and in light of the President's balance of payments message when it became available, and that the final draft of the circular would be sent by wire to the Reserve Banks this afternoon so that it could be transmitted as promptly as possible to member and nonmember banks along with such other financial institutions as the Reserve Banks might deem advisable.

The telephone conference concluded at this point.

There followed further discussion of the manner in which the over-all objective of limiting foreign credits to not more than a 5 per cent increase beyond the end of 1964 might best be expressed. Certain suggestions were made, particularly with a view to indicating that although export financing should be encouraged, the 5 per cent limit would be expected to include such credits. It was suggested that the staff make further inquiry into credits by savings and loan associations to determine whether there appeared to be reason why the voluntary program should embrace such institutions.

> Secretary's Note: Attached to these minutes as Item No. 3 is a copy of the text of the circular that was sent to the Federal Reserve Banks later in the day, after review in the light of comments made at this meeting and in the light of the President's balance of payments message. Attached as Item No. 4 is a copy of the press release issued by the Board this afternoon. Cables were sent to foreign central banks advising them of the principal features of the President's balance of payments message and particularly the voluntary lending restraint effort, the text of the communication being drawn substantially from the Reserve Bank circular.

The meeting then adjourned.

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

Appointments

James L. Pierce as Economist, Division of Research and Statistics, with basic annual salary at the rate of $12,075, effective the date of entrance upon duty. (The appointment was approved with the understanding that the Board would pay the transportation of Professor Pierce, his family, and household goods to and from Washington, D. C., with New Haven, Connecticut, as the base.)

Ethel Adeline Bergstein as Statistical Clerk, Division of Data Processing, with basic annual salary at the rate of $4,930, effective the date of entrance upon duty.

Transfer

W. Lucius Thalley, from the position of Clerk in the Division of Bank Operations to the position of Library Assistant in the Division of Research and Statistics, with no change in basic annual salary at the rate of $5,085, effective February 14, 1965.

Secretary

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

Item No. 1
2/10/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 10, 1965

Board of Directors,
The Provident Bank,
Cincinnati, Ohio.

Gentlemen:

The Board of Governors of the Federal Reserve System approves, under the provisions of Section 24A of the Federal Reserve Act, an investment of not to exceed $600,000 in bank premises by The Provident Bank, Cincinnati, Ohio, for the construction of two branch office buildings, provided the remodeling program of the bank's main office building involving an expenditure of approximately $2,000,000 is abandoned.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

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

Item No. 2
2/10/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

February 10, 1965

CONFIDENTIAL (FR)

Mr. Robert N. Hilkert,
First Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania 19101.

Dear Mr. Hilkert:

As requested in your letter of January 22, 1965, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure at the Federal Reserve Bank of Philadelphia, effective April 1:

Grade	Minimum Salary	Maximum Salary
1	$ -	$ -
2	2,600	3,360
3	2,860	3,845
4	3,240	4,375
5	3,660	4,945
6	4,115	5,560
7	4,600	6,210
8	5,120	6,910
9	5,665	7,650
10	6,245	8,435
11	6,890	9,300
12	7,575	10,230
13	8,330	11,245
14	9,145	12,345
15	10,020	13,530
16	10,975	14,820

The Board approves the payment of salaries to employees within the limits specified for the grades in which their respective positions are classified. All employees whose salaries are below the minimums of their grades as a result of the structure increase should be brought within appropriate ranges not later than three months after the effective date of the new structure.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 3
2/10/65

February 10, 1965.

To be mailed by Reserve Banks
to member and nonmember banks

The President of the United States has today sent to Congress a message setting forth his program to improve the U.S. balance of payments.

In addition to stressing the vital importance of stability of domestic costs and prices, the President's program includes:

(1) Legislation to continue the Interest Equalization Tax through December 31, 1967;

(2) Immediate action under the existing statute to impose the Interest Equalization Tax on bank loans with maturity of one year or more;

(3) Legislation to apply the Interest Equalization Tax, retroactive to February 10, 1965, to nonbank credits to foreigners if such credits have a maturity of one year or more;

(4) A call on the Federal Reserve System -- in cooperation with the Treasury -- to work with all banks to limit lending to foreigners;

(5) Legislation to provide immunity from anti-trust laws for specified voluntary programs, if needed, with respect to foreign loans by banks.

(6) A call on the Department of Commerce to work with corporations with business interests abroad to effectuate a reduction of their capital outflows;

(7) A more vigorous export promotion drive;

(8) Encouragement of foreign investment in the U.S. through appropriate tax legislation;

(9) Legislation to reduce from $100 to $50 the duty-free allowance of tourists returning from abroad, and a "See the USA First" program designed to increase tourism in the U.S.;

(10) An intensified effort to reduce military expenditures abroad;

(11) Continued action to minimize adverse balance of payments effects of the foreign aid program.

The Federal Reserve System shares the President's concern about the deterioration in our balance of payments and his determination to improve our payments position and to strengthen confidence in the dollar. The System and the banking and financial community have been assigned major rules in the President's program.

The central focus of the program is on measures that will reduce the outflow of United States capital. Such flows have been heavy in recent years, and were particularly so in recent months. In the fourth quarter of 1964, for example, bank credit to foreigners expanded by $1 billion.

To assure the success of the program, the System is requesting all banks to limit credits to foreigners that are not clearly and directly for the purpose of financing exports of U.S. goods and services. Over all, the objective is to hold outstanding credits (including export credits) to foreigners during 1965 to a level not over five per cent above the December 31, 1964, outstandings. In most instances, this should be the minimum goal for individual banks. Within the over-all limit, certain countries may need to be given preferential treatment. You will be advised later concerning this.

Outstanding credit to foreigners includes loans, acceptance credits, deposits with foreign banks (including foreign branches and subsidiaries of U.S. banks), and investments and acquisitions of assets abroad regardless of maturity, whether or not they are subject to the interest equalization tax.

The Federal Reserve program will be further explained under the following procedures:

(1) The President is asking representatives of the financial community to meet with him to discuss the program set forth in his message to the Congress;

(2) The Chairman of the Board of Governors is asking the bank representatives present at the President's meeting to confer with him and the other members of the Board of Governors, and presidents of the Reserve Banks following that meeting;

(3) Each bank that has foreign loans and investments outstanding in excess of $5 million is being requested to meet individually with representatives of the Reserve Bank of their District for further discussion of the program;

(4) Technical advisory committees may be invited to meet with Federal Reserve officials concerning problems that arise under the System's program.

Implementation of the program limiting lending to foreigners will result inevitably in some hardships for individual lenders and borrowers. This is unfortunate, but the overriding long-run international position of the dollar is dependent upon your wholehearted cooperation.

I am confident that the financial community stands prepared to join with the Federal Reserve System in this urgent national effort to restore balance of payments equilibrium and to maintain the dollar "as good as gold." In good part, the success of the President's program depends on us.

____

President

Item No. 4
2/10/65

For immediate release. February 10, 1965.

The Board of Governors of the Federal Reserve System today issued the following statement:

The Federal Reserve System shares the President's concern about the deterioration in our balance of payments and his determination to improve our payments position and to strengthen confidence in the dollar. The System and the banking and financial community have been assigned major roles in the President's program.

The central focus of the program is on measures that will reduce the outflow of United States capital. Such flows have been heavy in recent years, and were particularly so in recent months. In the fourth quarter of 1964, for example, bank credit to foreigners expanded by $1 billion.

To assure the success of the program, the System is requesting all banks to limit credits to foreigners that are not clearly and directly for the purpose of financing exports of U. S. goods and services. Over all, the objective is to hold outstanding credits (including export credits) to foreigners during 1965 to a level not over five per cent above the December 31, 1964, outstandings. In most instances, this should be the minimum goal for individual banks. Within the over-all limit, certain countries may need to be given preferential treatment.

Outstanding credit to foreigners includes loans, acceptance credits, deposits with foreign banks (including foreign branches and subsidiaries of U. S. banks), and investments and acquisitions of assets abroad regardless of maturity, whether or not they are subject to the interest equalization tax.

The Federal Reserve program will be further explained under the following procedures:

(1) The President is asking representatives of the financial community to meet with him soon to discuss the program set forth in his message to the Congress;

(2) The Chairman of the Board of Governors is asking the bank representatives present at the President's meeting to confer with him and the other members of the Board of Governors, and presidents of the Reserve Banks following that meeting;

(3) Each bank that has foreign loans and investments outstanding in excess of $5 million is being requested to meet individually with representatives of the Reserve Bank of their District for further discussion of the program;

(4) Technical advisory committees may be invited to meet with Federal Reserve officials concerning problems that arise under the System's program.

Implementation of the program limiting lending to foreigners will result inevitably in some hardships for individual lenders and borrowers. This is unfortunate, but the overriding long-run international position of the dollar is dependent upon the wholehearted cooperation of the nation's financial institutions.

The Federal Reserve System is confident that the financial community stands prepared to join with it in this urgent national effort to restore balance of payments equilibrium and to maintain the dollar "as good as gold." In good part, the success of the President's program depends on this effort.

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