

Minutes for April 21, 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

MM

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

SS

Gov. Mitchell

UM

Gov. Daane

DA

Minutes of the Board of Governors of the Federal Reserve System
on Wednesday, April 21, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of
Examinations
Mr. Smith, Assistant Director, Division of
Examinations
Mr. Robinson, Attorney, Legal Division

Access to records (Item No. 1). There had been distributed a draft of letter to the Federal Reserve Bank of St. Louis indicating that there would be no objection to the Bank's making available to Professor Lester V. Chandler of Princeton University certain records relevant to his study of American monetary policy during the years 1928-40.

After discussion unanimous approval was given to a letter in the form attached as Item No. 1.

Mr. Sherman stated that Assistant Professor A. Jerome Clifford of John Carroll University, Cleveland, Ohio, had been reviewing at the Cleveland Reserve Bank, with the permission of President Hickman, certain minute records for the earlier years of the System in connection

4/21/65

-2-

with historical studies in which he was engaged. It appeared that Professor Clifford would also like access to similar records at the Board's offices, and it was indicated that there would be no objection to making such records available.

Bank Holding Company Act. There had been distributed a draft of reply to an inquiry from Chairman Patman of the House Banking and Currency Committee regarding the exemption from the Bank Holding Company Act of 1956 of companies registered under the Investment Company Act of 1940, particularly as to the status under this exemption of Financial General Corporation, Washington, D. C., and Equity Corporation, New York, New York.

In discussion several questions were raised indicating the desirability of verification by the staff of the accuracy of certain statements in the draft reply. Editorial work on several parts of the draft for purpose of clarification also was suggested. Accordingly, it was understood that a revised draft would be prepared for the Board's consideration.

Securities transactions of Bank employee (Item No. 2). Pursuant to the understanding at the meeting on March 9, 1965, during discussion of the most recent report of examination of the Federal Reserve Bank of Boston, there had been distributed with a memorandum from the Division of Examinations dated March 12 a draft of letter to President Ellis suggesting further review of securities transactions engaged in by

4/21/65

-3-

Ruth B. Norr, Editor in the Research and Statistics Department, in light of the principles set forth in the Board's letter of February 10, 1964 (S-1907), regarding outside activities and certain financial transactions of Reserve Bank officers and employees.

Discussion of the proposed letter developed a view that the frequency of securities transactions engaged in by Mrs. Norr should be stressed. It was also felt that the letter should clearly indicate that, particularly in view of the element of frequency, some doubt existed on the part of the Board concerning the conclusion of Bank management that the securities transactions had been of an investment character. The fact that Mrs. Norr was assigned to the research function was thought to suggest that management should take into consideration in reviewing the matter the kinds of current economic and financial data, including any open market data, that were available to the employee in the course of carrying out her duties.

At the conclusion of the discussion unanimous approval was given to a letter to President Ellis in the form attached as Item No. 2.

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

Larry Jay Promisel as Summer Research Assistant, Division of International Finance, with basic annual salary at the rate of \$6,050, rather than \$5,165 as approved on March 17, 1965, effective the date of entrance upon duty.

4/21/65

-4-

Appointments (continued)

Charles K. Harley as Summer Research Assistant, Division of International Finance, with basic annual salary at the rate of \$6,050, rather than \$5,165 as approved on April 2, 1965, effective the date of entrance upon duty.

Acceptance of resignations

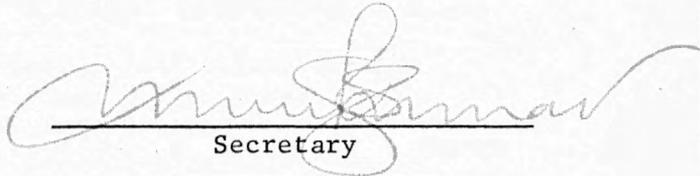
Robert Solodow, Economist, Division of Research and Statistics, effective at the close of business April 23, 1965.

Carolyn C. White, Secretary, Division of Research and Statistics, effective at the close of business April 30, 1965.

Alberta L. Thorley, Senior Records Clerk, Office of the Secretary, effective at the close of business April 30, 1965.

Advance of sick leave

William R. McDonald, Supervisory Clerk, Division of Administrative Services, for a period not to exceed 26 days beginning April 2, 1965.


Secretary

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

Item No. 1
4/21/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1965.

Mr. Harry A. Shuford, President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166.

Dear Harry:

In response to your letter of April 16 the Board would have no objection to your making available to Professor Chandler such records of the type mentioned in his letter to your Bank dated April 15 as may be available and which, in your judgment, would be appropriate for him to examine.

As Professor Chandler indicated in his letter, the Board gave him access to its minutes and other records in connection with his study of American monetary policy covering the years 1928-40. This was in keeping with the Board's general inclination to make its records available to responsible scholars and students whenever it can reasonably do so to assist in studies of the Federal Reserve System.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 2
4/21/65

WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 21, 1965.

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Ellis:

Among the matters that came to the attention of the Board as a result of the examination of the Federal Reserve Bank of Boston as at November 30, 1964, was information concerning certain financial affairs of one of your employees, Mrs. Ruth B. Norr. It is understood that Mrs. Norr holds the position of Editor in the Research and Statistics Department.

The data to which reference is made was taken from a report submitted by Mrs. Norr in accordance with the requirement that employees in certain categories submit annually an information statement regarding financial and other specified matters. In particular, the Board has been advised that in her report of May 31, 1964, Mrs. Norr showed she was indebted to Brown Brothers, Harriman and Co. in the amount of \$8,500, secured by listed stocks, and that she further stated:

"During the year 6-1-63 to 5-31-64, my husband, Martin Norr, engaged in the following securities transactions (as my attorney in fact) for my personal profit (no transactions on margin)."

The transactions referred to as having been consummated in the 12-month period were said to have comprised 31 purchases and 27 sales, aggregating approximately \$140,000 and \$149,000, respectively.

The views expressed in the Board's letter of February 10, 1964 (S-1907), regarding outside activities and certain financial

Mr. George H. Ellis

-2-

transactions of Federal Reserve Bank officers and employees appear to have relevance to this case. As you will recall, that letter included the following paragraph:

"The Board considers it inappropriate for any officer or employee of a Federal Reserve Bank to engage in speculative dealings (as distinguished from investments), whether on a margin or a cash basis, and whether in securities, commodities, real estate, exchange, or otherwise. Frequency of trading would be a significant indicator in judging whether dealings were speculative, particularly any transactions that appeared to be for the purpose of taking advantage of short-term price fluctuations, and the use of credit also would be a pertinent consideration." (underscore added)

This guideline would seem to be peculiarly applicable to any Reserve Bank employee whose position in the Bank might afford access to unpublished economic data used by the System in carrying out its official responsibilities.

The Board understands that you have given consideration to this case and reached a conclusion, at least for the present, that the securities transactions of the employee mentioned have been of an investment character. In view particularly of the number of transactions reported for the 12-month period, the Board has some doubts regarding this conclusion. Accordingly, it would appreciate your making a further review of the matter in terms of whether the activities in question may be undesirable for a person employed by the Federal Reserve System.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.