

Minutes for June 16, 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

RM

Gov. Robertson

CRB

Gov. Balderston

CS

Gov. Shepardson

SM

Gov. Mitchell

DM

Gov. Daane

DD

Gov. Maisel

BM

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, June 16, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell
Mr. Daane

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Brill, Director, Division of Research and Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Kakalec, Controller
Mr. Shay, Assistant General Counsel
Mr. Sammons, Adviser, Division of International Finance
Mr. Kiley, Assistant Director, Division of Bank Operations
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Smith, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Young, Senior Attorney, Legal Division
Mr. McClintock, Supervisory Review Examiner, Division of Examinations
Mr. Poundstone, Review Examiner, Division of Examinations

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

6/16/65

-2-

Item No.

- | | |
|--|---|
| Letter to Farmers and Merchants Bank, Huron, South Dakota, approving the establishment of a branch at 18th and Dakota Avenue South. | 1 |
| Letter to The Farmers State Bank of Waupaca, Waupaca, Wisconsin, approving a proposed investment in bank premises. | 2 |
| Letter to Bankers International Corporation, New York, New York, granting permission to purchase additional shares of Fabrica Espanola Magnetos, S.A., Madrid, Spain. | 3 |
| Letter to the Federal Deposit Insurance Corporation regarding the application of Gary-Wheaton Bank, Wheaton, Illinois, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System. | 4 |

During discussion of Item No. 3, Governor Robertson commented that he considered the proposed transaction borderline; the funds would be used for investment in a developed country. However, he would not object in this instance. The investment would not be made in dollars but in Swiss francs that Bankers International Corporation had borrowed in Europe through its parent, Bankers Trust Company. Also, combined credits to foreigners by Bankers Trust and Bankers International had been brought down to the 105 per cent ceiling under the voluntary foreign credit restraint effort. Bankers Trust had stated that the proposed investment would not have detrimental effects on its continued efforts to comply with the program and would not inhibit its ability to finance traditional customers' exports.

6/16/65

Report on competitive factors (Roanoke-Appalachia, Virginia).

There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of The First National Bank of Appalachia, Appalachia, Virginia, into The First National Exchange Bank of Virginia, Roanoke, Virginia.

Discussion of the draft report included comments that the proposed take-over by First National Exchange Bank of a small bank 54 miles away reflected the over-all expansion trend among the large banks in Virginia. This bank had acquired 17 of its 24 offices and over 40 per cent of its deposits through 10 mergers since late 1960. However, in the circumstances of this particular case it was suggested that the last sentence of the draft conclusion, stating that "the overall effect of the proposed transaction on competition appears adverse" be deleted.

The report was then approved unanimously for transmittal to the Comptroller with a conclusion in the following form:

There is virtually no competition existing between The First National Bank of Appalachia and The First National Exchange Bank of Virginia, Roanoke, and consummation of the proposed merger would not significantly alter Roanoke Bank's competitive capacity in the areas in which it currently operates, nor alter its position in relation to other large bank organizations in the State. It would expand Roanoke Bank's geographic coverage into an additional county in southwestern Virginia. Since 1960 Roanoke Bank has absorbed 10 banks in southwestern Virginia, and consummation of this merger would further this trend.

Messrs. Shay, Sammons, Goodman, and Poundstone then withdrew from the meeting.

6/16/65

-4-

Currency shipments (Item No. 5). The Board had entered into a contract with Brink's, Incorporated, late in 1964 for the transportation of new Federal Reserve notes from Washington, D. C., to the Federal Reserve Banks and branches. However, the pouches and locks that had been used previously when the Post Office Department handled such shipments continued to be used, although they were the property of the Department. In a letter of March 18, 1965, the Department requested the Federal Reserve System to discontinue the use of these pouches and locks by June 30, 1965. The Board's Division of Bank Operations had arranged for the purchase from Federal Prison Industries, Inc., of 10,000 canvas pouches at a unit cost of \$2.45. The question of providing locks that would be suitable to replace the Post Office "K" locks was investigated by the Subcommittee on Cash, Leased Wire, and Sundry Operations of the Presidents' Conference Committee on Miscellaneous Operations. The report of the Subcommittee dated May 27, 1965, reviewed the advantages and disadvantages of various locking devices that had been considered and recommended an initial purchase of 50,000 wire hasp padlock seals from American Casting and Manufacturing Company, Plainview, New York, at a cost of \$17.50 a thousand, or \$875. The Subcommittee's recommendation was approved by the Conference of Presidents at its meeting on June 14, 1965. The Division of Bank Operations recommended that the Board concur.

Mr. Farrell and Mr. Kiley reviewed the results of the studies that had been made, the security procedures followed in shipments, and

6/16/65

-5-

methods that might be attempted to tamper with currency pouches. The wire hasp padlock seal that was recommended to be purchased could be used only once, but it was inexpensive. Although its construction was simple, it appeared to be as tamper-proof as other available devices. The Post Office Department staff had examined the device and expressed the view that any tampering could be detected. The General Auditors of the Federal Reserve Banks had expressed some reservations about changing from the type of lock that had been used when the Post Office Department handled the shipments. However, their over-all concern was that security measures remain as effective as they had been in the past. Moreover, the question had been placed before the General Auditors at their recent conference without opportunity for full study of the matter.

After discussion the Board concurred unanimously in the action of the Conference of Presidents. A copy of the letter informing Mr. Bopp, Chairman of the Conference, of this action is attached as Item No. 5.

Messrs. Leavitt and Young then withdrew from the meeting and Mr. Noyes, Adviser to the Board, entered the room.

Reserve Bank budgets (Item No. 6). There had been distributed a memorandum from the Division of Bank Operations dated June 8, 1965, summarizing the proposed budgets of the Federal Reserve Banks for the second half of 1965, accompanied by detailed memoranda analyzing each budget. Total operating expenses of the Reserve Banks for the second

6/16/65

-6-

half of the year were expected to be \$92.7 million, which was about \$.1 million (.1 per cent) more than estimated for the first half, with six Banks budgeting increases and the remaining six budgeting decreases. The largest budgeted increase of \$600,000 (3 per cent) was at New York and reflected plans to purchase an additional computer.

In commenting on the proposed budgets, Mr. Kiley remarked that the majority of the Banks by now regarded the semiannual budget procedure as satisfactory. Its effectiveness and acceptance, he believed, were being furthered by the practice of having the budget officers come to Washington individually to discuss the problems involved, and of having Board representatives visit the Banks. The principal improvement in operating expenses, he noted, was to be found in the extension of high-speed check processing equipment, which by the end of this year would probably be in use at all Federal Reserve offices except four or five of the smaller branches. When such equipment was installed, there was at first a transition period when expenses were somewhat higher, principally because of surplus staff. That stage had now passed at many of the Banks and branches, and thus the longer-term economies were being realized. In response to a question as to the proposed computer purchase at the New York Bank, he indicated that New York now had three computers, one of which was to be replaced by the new one.

Governor Mitchell stated that he thought the Reserve Bank budgets as presently submitted furnished all the information that was

6/16/65

needed conveniently and concisely. However, he had misgivings that some of the Reserve Banks might be going about the preparation of their budgets in an unnecessarily time-consuming and costly way. He hoped the Division of Bank Operations would undertake further investigation of the process of budget preparation to reduce the work as much as consistent with production of the necessary information.

Governor Shepardson asked if in the opinion of the Division of Bank Operations the move to semiannual budgets had resulted in a significant gain in planning and budget control.

Mr. Farrell responded that there had been a definite gain in accuracy as compared with the older budget procedure, in which forecasts had to be made in the third quarter of the year of expenses that would be incurred up to 18 months ahead. Approval of overexpenditures under those circumstances amounted to little more than a rubber-stamp operation, whereas the new procedure provided a better opportunity to review expenditures before rather than after the fact.

Governor Shepardson remarked that Governor Mitchell had made a good point on the need for keeping the budget preparation job from getting out of bounds. Mr. Farrell agreed and described steps that were under way to encourage the use of comparable procedures at the respective Reserve Banks.

The budgets of the Federal Reserve Banks for the second half of 1965 were then accepted as submitted. A copy of the letter sent

6/16/65

-8-

to the Federal Reserve Bank of Boston pursuant to this action is attached as Item No. 6. The letters to the other Reserve Banks were similar in form.

Committee on centralization of data processing. Governor Robertson stated that the recent meeting of the Conference of Presidents had been informed of developments leading to the decision of the Board (on June 11, 1965) to move ahead with further study of remote computer operations. Interest had been shown by the Presidents concerning the possibilities of eventual pooling of computer services, and an ad hoc committee had been set up consisting of President Ellis as Chairman and Messrs. Hickman, Swan, and Wayne to study System-wide needs in the areas of data transmission and electronic processing. A request had been made that a member of the Board be designated to work with the ad hoc committee. The committee had not yet decided how to approach its study, but it was considering full-time staff assistance and would also like to have representation from the Board's staff. Governor Robertson believed that the study to be undertaken by the ad hoc committee was one in which the Board should cooperate.

The other members of the Board expressed agreement with that view. Governor Robertson was designated as the member of the Board who would work with the ad hoc committee, and it was understood that appropriate participation of Board staff members also would be arranged.

The discussion then reverted to the proposed computer purchase by the New York Reserve Bank, mentioned during discussion of the Reserve

6/16/65

Bank budgets. During an exchange of comments on the economies that resulted from using a machine for second and third shifts, it was brought out that a study of workloads had indicated that New York's present computers were used 78 per cent of the time; however, the timing of particular recurring operations was in some cases an important factor.

Governor Mitchell suggested that the recent report of uses of the Board's computer by the various divisions, prepared at his request, be made available to all of the Board members, and it was understood that this would be done. Mr. Farrell commented that work was under way to obtain from each Reserve Bank reports of computer utilization. In response to his question whether that work should be continued, members of the Board replied that they felt it would be desirable.

Mr. Smith then withdrew from the meeting.

Changes in bank supervision. There had been distributed a memorandum dated June 9, 1965, from the Division of Examinations submitting a draft of reply to a letter of May 14, 1965, in which Chairman McClellan of the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations asked to be informed of any changes in policies, administrative procedures, and regulations with respect to supervision and examination of banks initiated since December 1964. He also stated that the Subcommittee would welcome suggestions and recommendations as to possible legislation.

6/16/65

-10-

The draft of reply would comment on steps taken to minimize the risk of problems arising from misuse of certificates of deposit; arrangements under which the Comptroller of the Currency now furnished to the Federal Reserve the supplementary confidential memoranda regarding examinations of national banks; and efforts to inaugurate a more systematic basis for coordinating sources of information regarding possible underworld infiltration of the banking system. The draft reply would also refer to the legislative program proposed in the Board's Annual Report for 1964.

Mr. Cardon suggested that the reply be delayed for about two weeks. There did not seem to be any urgency in the matter, and at that time pending questions might have been resolved in regard to the legislative proposal initiated by the Federal Deposit Insurance Corporation to deal with the problem of excessive payment of interest on deposits. If it could be reported that progress had been made in this area, the reply would be stronger.

There was agreement with this suggestion, and the reply to Chairman McClellan was therefore tabled.

Mr. McClintock then withdrew from the meeting.

Department store reports. There had been distributed a memorandum from Mr. Sherman dated June 10, 1965, in which it was pointed out that the Conference of Presidents at its meeting on March 1, 1965, had indicated majority agreement with a program for withdrawal by the

6/16/65

Federal Reserve Banks from the preparation of department store sales reports, with the understanding that any Reserve Bank that elected to do so would continue to collect and publish weekly and perhaps monthly sales data for local cities and areas in its district. The program contemplated:

(1) System withdrawal from the department store program after January 1966 with an early announcement to respondents and the public.

(2) Agreement by the System with the Census Bureau to underwrite the cost of preparing monthly department store sales figures for about 200 cities and local areas now shown in the reports of the Federal Reserve Banks but not included in regular Census reports prepared with appropriated funds. (The Presidents felt the System should underwrite the cost of having Census prepare these figures, in lieu of the work now done by the Reserve Banks, during the period February 1966 through June 1967; Census estimated this cost at \$30,000 a year.)

(3) Announcement of plans by those Reserve Banks that would continue to publish weekly or monthly reports of department store sales by cities or areas, such announcements to be made at the same time that the other Reserve Banks announced their plans to discontinue the department store reports.

In general, this would be consistent with the program developed by the Committee of Five (established by the Board in 1960 to study the matter) except that the Committee had rather anticipated that a majority of the Reserve Banks would continue to prepare local weekly and monthly department store sales comparisons, rather than to terminate the weekly data and have the System underwrite the cost of having Census prepare the monthly reports. The program approved by the Presidents also fitted in generally with a program that was acceptable to the Office of Statistical

6/16/65

-12-

Standards of the Bureau of the Budget, which had over-all responsibility for Federal statistical programs. It was likewise acceptable to the Bureau of the Census, which for many years had collected retail trade data except for department stores.

The program had been developed with the full knowledge of the trade representatives on the Committee of Five and, while it was not expected to be entirely satisfactory to the trade, it was believed that it could be put into effect without substantial protest from respondent stores. The program had not been discussed with the press or with market analysts who had used the Federal Reserve reports for many years, and it was recognized that considerable disappointment might be expressed from those quarters as to termination of weekly data of department store sales by cities and of monthly sales broken down by departments.

The memorandum stated Mr. Sherman's recommendation, in which he was joined by Messrs. Noyes and Brill, who had participated in the discussions of the Committee of Five as well as those of the System Research Advisory Committee, that the Board concur in the general program approved by the Reserve Bank Presidents. Attached were a draft of letter that would inform the Presidents of the Board's approval, a suggested letter for use by Reserve Banks in communicating with respondent stores and others regarding the System's discontinuance of collection of department store data, and a draft letter from Chairman Martin to the President of the National Retail Merchants Association.

6/16/65

-13-

In commenting on the recommendation, the memorandum noted that this seemed a suitable time for the Federal Reserve to withdraw virtually completely from the collection of retail trade statistics, a program that it had initiated in 1919. The Bureau of the Census had been collecting current data on retail trade for other than department stores since the 1930's. It had made considerable advance in its work in this field since establishment by the Board in 1960 of the Committee of Five, and it had plans for further improvement during the next few years in current data on consumer buying. The Federal Reserve had discontinued a substantial part of its department store reporting service in this period, and the quality of Federal Reserve statistics on total department store sales had been somewhat improved in the meantime. Nevertheless, there was widespread feeling that the System should eventually terminate its activities in this area and leave to Census and others the collection of data on retail trade. All of the Reserve Bank Presidents felt that the preparation of monthly sales by departments should be discontinued by the Federal Reserve next January, both because the present data were of doubtful quality, even for informed users, and because of reservations as to the usefulness of data of this particular type for department stores only, even if it were possible to make their quality reasonably satisfactory. The Presidents were not unanimous in feeling that weekly and monthly reports of total department store sales for cities and local areas should be discontinued by the Federal Reserve

6/16/65

-14-

Banks. Messrs. Ellis, Hickman, and Irons felt that the weekly data were needed and they planned to continue such reports indefinitely, although it was understood that they would expect to discontinue them if Census was able to continue the monthly series for cities and local areas.

The memorandum noted the following key points:

(1) Discontinuance of the weekly reports of department store sales for local areas would mean an absolute loss of such data for most parts of the United States, since only the Boston, Cleveland, and Dallas Reserve Banks now definitely planned to continue collection and publication of these series. (Mr. Hickman was the only Reserve Bank President who had favored having the Federal Reserve pay the cost of having Census establish a weekly report for local areas -- estimated at from \$175,000 to \$250,000 a year.)

(2) Discontinuance of the monthly departmental sales report would mean an absolute loss of such data, both nationally and for the larger cities or areas for which they were now compiled. The present data were of questionable value except to a small number of users familiar with their limitations. The Board's efforts to establish a new national departmental sales report for about 20 categories had not met with success because of lack of cooperation on the part of numerous department stores or chains. Census now contemplated an annual departmental or merchandise line report, but this was a couple of years away.

(3) Discontinuance by most Federal Reserve Banks of the monthly department store sales reports for about 200 cities and local areas would not mean loss of these series, provided Census was furnished with funds (\$30,000 a year) to pay the incremental costs of compiling them. The present data were considerably better in quality than were the monthly reports five years ago, but further improvement would be anticipated. If, by mid-1967, Census received a satisfactory appropriation, its program contemplated such data for a total of 60 metropolitan areas; neither Census nor the Bureau of the Budget now envisaged local monthly reports for more than the 60 metropolitan areas.

6/16/65

-15-

(4) If, as recommended by the Reserve Bank Presidents, the Federal Reserve decided to provide funds to enable Census to compile monthly local area data for the cities now covered by the Reserve Banks, question might be expected to arise early in 1967 as to whether the list of cities should then be cut back to what Census would be able to provide with appropriated funds. It did not seem necessary or desirable at this time to try to determine what should be done then. Thus, if the Federal Reserve decided to provide funds for the period February 1966-June 1967, it would seem well to do so with the understanding that the situation would be reviewed early in 1967 in the light of developments up to that time.

(5) The Reserve Bank Presidents and the trade representatives who had served on the Committee of Five felt that some press announcement of the Federal Reserve's program should be made simultaneously with the dispatch of letters to respondent stores informing them that most Reserve Banks would discontinue all retail trade reporting activities with completion of reports for January 1966. A principal reason for such a release was to have a document to send to nonreporting persons and firms now receiving the Federal Reserve reports--a far larger number than the respondent stores.

Mr. Sherman, in commenting on his memorandum, brought out among other things that if the Board should be averse to paying the cost (\$30,000 a year) of having the Census Bureau prepare the monthly local area figures from February 1966 through June 1967, he did not know of any other source for the money, and presumably these data would lapse entirely until such time as Census might be able to obtain an appropriation to prepare the figures for the 60 largest standard metropolitan statistical areas.

Although it was not possible for anyone to say with confidence what the trade and public reaction would be to the program of discontinuance, Mr. Sherman believed that if the change was ever to take place this was probably as good a time as could be picked. Although

6/16/65

-16-

there probably would be some disappointment, it seemed unlikely that there would be a great campaign of protest such as had been experienced in the spring of 1960 when it became known that the Federal Reserve was contemplating discontinuance of preparing the department store data.

Governor Mitchell raised the question whether, if it was anticipated that beginning in the middle of 1967 Census would prepare figures for only the 60 largest centers, the remaining cities should not be dropped now. He doubted that the data Census would prepare for any cities other than the 60 would be reliable; in fact, this was one of the reasons the Federal Reserve was getting out of this area of statistics. If Census could prepare representative figures for the 60 centers sometime in the near future, he believed that the Board could appropriately pay for preparation of the data in order to provide a continuing series. He also felt the Board should insist that any Reserve Bank that wanted to continue its weekly series bring the data up to a high standard of quality.

In response to an observation by Mr. Sherman that coverage was better than three or four years ago, Governor Mitchell remarked that this came back to the original basis for dissatisfaction with department store data, namely, that they were not sufficiently representative. He hoped that more Reserve Banks would try to continue to do something with the weekly data, but he did not believe any Reserve Bank should do so unless it could maintain quality standards.

6/16/65

-17-

Governor Daane inquired as to the willingness of the Bureau of the Census to ask for the appropriation necessary to support continuance of the data.

Mr. Sherman stated that the Bureau of the Census was putting in its forthcoming budget a request for funds to prepare retail trade data for the 60 or 62 largest centers. The Bureau anticipated preparing for those centers figures for all retail trade and for general merchandise, apparel, and furniture and appliances (GAF), and it was willing to provide a breakdown also for department stores, including chain stores, discount houses, and others carrying department store-type merchandise. The Bureau hoped, depending upon obtaining the funds from Congress and upon technical progress, to have the figures for the 60 or 62 largest centers available in this form for publication by early 1967, which was about a year after preparation of the data would be discontinued by the Federal Reserve. A longer-run possibility was that the number of centers might be increased to 80. The possibility of cutting back to 60 centers immediately had been discussed a good deal. The Census Bureau was willing to prepare figures of department store sales--similar to but more broadly based than those prepared by the Federal Reserve--for any of the 200 cities in which the Bureau could get a representative sample; lack of such a sample would result in dropping some of the present 200 cities, although the approach would be to attempt to continue all of them for the time being. The Committee

6/16/65

-18-

of Five and members of the Board's staff considered that procedure preferable to cutting back now to the 60 centers that seemed fairly sure of long-range continuance, particularly since the Federal Reserve weekly series and departmental reports would apparently disappear almost completely.

Governor Mitchell commented that he was not in favor of continuing retail sales figures that were of doubtful quality, but if quality could be assured in terms of coverage of department store-type merchandise, he would be willing to sponsor preparation of data for 200 cities or whatever number were involved.

At the conclusion of further discussion Governor Mitchell indicated general satisfaction with the program, provided the number of centers for which data were continued was limited to those for which meaningful statistics could be produced. Other members of the Board also expressed general agreement with the program, which it was understood would be given further consideration at tomorrow's meeting.

The meeting then adjourned.

Secretary's Notes: On June 15, 1965, Governor Shepardson approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Salary increase

Cleo J. Kray, Records Clerk, Office of the Secretary, from \$4,930 to \$5,330 per annum, with a change in title to Senior Records Clerk, effective June 20, 1965.

6/16/65

Acceptance of resignations

Annie W. Becton, Substitute Maid, Division of Personnel Administration, effective at the close of business June 14, 1965.

Robert M. Steinberg, Economist, Division of Data Processing, effective July 6, 1965.

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

Salary increases, effective June 20, 1965

Robert P. Forrestal, Attorney, Legal Division, from \$8,650 to \$8,945 per annum.

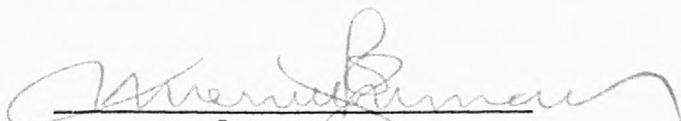
Kathryn A. Morisse, Economist, Division of Research and Statistics, from \$7,465 to \$7,710 per annum.

Franklin V. Walker, Economist, Division of Research and Statistics, from \$12,075 to \$12,495 per annum.

Patricia Beckham, Stenographer, Division of Bank Operations, from \$4,005 to \$4,140 per annum.

James R. Smith, Accountant-Analyst, Division of Examinations, from \$10,960 to \$11,315 per annum.

John S. Hollis, Jr., Messenger (Driver), Division of Administrative Services, from \$4,180 to \$4,305 per annum.



Secretary

2038

Item No. 1
6/16/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1965

Board of Directors,
Farmers and Merchants Bank,
Huron, South Dakota.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Farmers and Merchants Bank, Huron, South Dakota, of a branch (detached drive-in facility) at 18th and Dakota Avenue South, Huron, South Dakota, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Kenneth A. Kenyon

**Kenneth A. Kenyon,
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. 2
6/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1965

Board of Directors,
The Farmers State Bank,
Waupaca, Wisconsin.

Gentlemen:

The Board of Governors of the Federal Reserve System approves under the provisions of Section 24A of the Federal Reserve Act an investment in bank premises of not to exceed \$138,000, which is in addition to the investment of \$34,500 representing the cost of the building site, for the purpose of construction of a new bank building and related costs.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
6/16/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1965.

Bankers International Corporation,
16 Wall Street,
New York 15, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of May 4, 1965, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants consent to your Corporation to purchase and hold additional shares, par value Pesetas 1,000 each, of the capital stock of Fabrica Espanola Magnetos, S.A. ("FEMSA"), Madrid, Spain, at a cost of approximately \$333,000, provided such additional stock is acquired within one year from the date of this letter.

The Board also approves the purchase and holding of shares of FEMSA within the terms of the above consent in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consent is given with the understanding that the foreign loans and investments of your Corporation, combined with those of Bankers Trust Company and Bankers Company of New York, including the investment now being approved, will not exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

2041

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 4
6/16/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1965



Honorable K. A. Randall, Chairman,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. Randall:

Reference is made to your letter of May 26, 1965,
concerning the application of Gary-Wheaton Bank, Wheaton,
Illinois, for continuance of deposit insurance after withdrawal
from membership in the Federal Reserve System.

There have been no corrective programs urged upon the
bank, or agreed to by it, which have not been fully consummated,
and there are no such programs that the Board would advise be
incorporated as conditions of admitting the bank to membership
in the Corporation as a nonmember of the Federal Reserve System.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
6/16/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1965.



Mr. Karl R. Bopp, Chairman,
Conference of Presidents,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101

Dear Mr. Bopp:

The Board concurs in the June 14, 1965 action of the Conference of Presidents approving the recommendations contained in the May 27, 1965 report of the Subcommittee on Cash, Leased Wire and Sundry Operations that canvas pouches and wire-haspadlock seals be used in connection with shipments of new Federal Reserve currency from Washington to the various Reserve Banks and branches.

The canvas pouches have been ordered from Federal Prison Industries Incorporated and an order for the seals is being placed with the American Casting and Manufacturing Company, Plainview, New York. It is understood that the cost of these items will be distributed to the Reserve Banks on the basis of their capital surplus ratio.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

2043

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

Item No. 6
6/16/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 16, 1965.

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

Dear Mr. Ellis:

The Board of Governors has reviewed and accepts
the budget of the Federal Reserve Bank of Boston for the
period July 1 - December 31, 1965, as submitted with
Mr. Latham's letter of May 11, 1965.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

