

Minutes for June 17, 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

WM

Gov. Robertson

RR

Gov. Balderston

CCSB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

AD

Gov. Maisel

GM

Minutes of the Board of Governors of the Federal Reserve System
on Thursday, June 17, 1965. The Board met in the Board Room at 9:30 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, Assistant Secretary
Mr. Cardon, Legislative Counsel
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Solomon, Adviser, Division of Research and
Statistics
Mr. Hersey, Adviser, Division of International
Finance
Mr. Katz, Adviser, Division of International
Finance
Mr. Irvine, Associate Adviser, Division of
International Finance
Mr. Reynolds, Associate Adviser, Division of
International Finance
Mr. Wood, Associate Adviser, Division of Inter-
national Finance
Mr. Spencer, General Assistant, Office of the
Secretary

Study on international liquidity. Mr. Solomon (Research) reviewed the contents of, and his participation in drafting, the report of the Study Group on the Creation of Reserve Assets, a group appointed by the Deputies of the Group of Ten to study alternative proposals for increasing international liquidity. It was brought out that although copies of the report had been made available to certain persons within the United States Government, the report had not yet been made public. Nor had it been acted upon by the Deputies of the Group of Ten.

6/17/65

-2-

All members of the staff who had been present except Messrs. Sherman, Kenyon, Hackley, Solomon (Examinations), and Spencer then withdrew from the meeting and the following entered the room:

Mr. Noyes, Adviser to the Board
 Mr. Molony, Assistant to the Board
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Shay, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Thompson, Economist, Division of Research and Statistics
 Mr. McClintock, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Bank of Kansas City on June 16, 1965, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

Circulated or distributed 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 Central Trust Company, Rochester, N.Y., Rochester, New York, approving the establishment of a branch in the Panorama Plaza Shopping Center, Town of Penfield.	1
Letter to the Federal Reserve Bank of San Francisco regarding the classification of member banks in the Twelfth District for the purpose of electing Class A and Class B directors.	2

6/17/65

-3-

Item No.

- Letter to the Federal Reserve Bank of Cleveland approving the appointment of John D. Groppe as Federal Reserve Agent's Representative at the Cincinnati Branch. 3
- Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's plumbers and carpenters at specified rates. 4
- Letter to the Federal Reserve Bank of New York approving (1) the appointment of Fred W. Piderit, Jr., as Vice President in charge of the bank supervision and relations function, and (2) the payment of salary to Mr. Piderit and five other officers at the head office, and to two officers at the Buffalo Branch, at rates fixed by the Bank's Board of Directors. 5

Report on competitive factors (San Francisco-Long Beach, California). There had been distributed a draft of report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of First National Bank of Long Beach, Long Beach, California, into The Bank of California, National Association, San Francisco, California. The draft report contained a conclusion stating that consummation of the proposed merger would further the concentration of banking resources in a few large banks in California but would not have an adverse effect on the competitive situation in the trade area of the resulting institution.

In discussion, Governor Robertson suggested a revision of the conclusion somewhat along the following lines:

6/17/65

Although there is little if any competition between the two banks at the present time, consummation of the proposed merger would eliminate a small alternative source of banking services, constituting one more step toward concentration of banking resources in California, and hence would have potential adverse effects on competition.

Governor Maisel indicated that his views were similar to those of Governor Robertson. He went on to comment concerning the difficulty involved in developing a suitable and consistent set of competitive factor reports without having the benefit of broad background studies regarding the banking situation in the particular State. The individual reports, he suggested, should be prepared within an agreed-upon overall context. For example, there was the question of what could be done by way of de novo branching, which was an alternative to expansion via the merger route. He proposed that for certain critical States, where the Board was continually being called upon to decide merger applications and submit competitive factor reports, it would be helpful if the Board could have available statements of the broad picture of banking competition and the developing trends. He observed, in this connection, that it was hard to make decisions in the absence of agreement among the several bank supervisory agencies on policy objectives.

Governor Mitchell noted that the issue mentioned by Governor Maisel had been the subject of numerous discussions by the Board. But in this particular case there was no competition between the two participating banks, nor did it seem likely that there ever would be

6/17/65

-5-

competition between them. The question, therefore, came down to the trend toward banking concentration in California, and in his view more competition was generated through the existence of a number of branch systems than through the existence of small scattered banking units, which could have monopolistic characteristics within their own areas. The ideal, as he saw it, would be State-wide branch systems in company with local banks. He would like to see a couple more large branch systems in California, along with more local units. In the case presently before the Board, he was not particularly worried from the standpoint of the trend toward concentration.

Mr. Solomon commented that there should have been sent to Governor Maisel a copy of the report prepared by the Division of Examinations on the banking situation in California, which report had been updated for the Board from time to time. He noted, however, that such reports were in terms of aggregates; when a particular case came before the Board, there was always the question whether any potential for competition existed between the institutions.

Chairman Martin requested that the California studies referred to by Mr. Solomon be sent to Governor Maisel for perusal. He added that he felt Governor Maisel had made a valid point: it was desirable to look at the overall situation in considering each individual case, recognizing that this was not the easiest thing to do.

6/17/65

After further comments by Governor Maisel on the need for interagency coordination of policies, Governor Daane said that, like the Chairman, he felt Governor Maisel had made a valid point. The problem was a difficult one, but even so he thought it would be helpful to try to develop an overall view in some of the problem States. In the case now before the Board, however, he did not see much evidence of possible competition between the two banks involved, and he would be inclined to go along with the originally suggested conclusion on competitive factors.

After Governor Robertson had restated his proposed alternative conclusion, Chairman Martin observed that there appeared to be a basic difference of philosophy within the Board, which suggested that probably the best course would be to let the report be transmitted as written, with any dissents entered in the minutes.

Accordingly, with Governors Robertson and Maisel dissenting, approval was given to the transmittal to the Comptroller of the report as drafted, the conclusion reading as follows:

Consummation of the proposed merger of The Bank of California, National Association, and First National Bank of Long Beach would further the concentration of banking resources in a few large banks in California, but would not have an adverse effect on the competitive situation in the trade area of the resulting institution.

Report on competitive factors (San Diego-Hawthorne, California).

Unanimous approval was given to the transmittal to the Comptroller of

6/17/65

-7-

the Currency of a report on the competitive factors involved in the proposed merger of Pacific State Bank, Hawthorne, California, into United States National Bank, San Diego, California. The conclusion read as follows:

The proposed merger of United States National Bank, San Diego, and Pacific State Bank, Hawthorne, involves two banks which are not presently serving the same area or competing with each other. The overall effect of the proposed merger on competition would not be adverse.

Application of Citizens Bank (Items 6 and 7). Pursuant to the decision at the meeting on June 11, 1965, there had been distributed drafts of an order and a statement reflecting the Board's approval of the application of Citizens Bank, Vermillion, South Dakota, to consolidate with Security State Bank, Gayville, So. Dak., Gayville, South Dakota, Farmers State Bank, Tabor, South Dakota, and The Security State Bank, Wakonda, South Dakota.

After discussion, the issuance of the order and statement was authorized. Copies of the documents, as issued, are attached as Items 6 and 7.

Messrs. Shay, Daniels, and McClintock then withdrew from the meeting and Mr. Brill, Director, Division of Research and Statistics, entered the room.

Department store reports (Item No. 8). At its meeting yesterday the Board had given initial consideration to a memorandum from Mr. Sherman dated June 10, 1965, relating to a program for withdrawal by the Federal

6/17/65

Reserve from the preparation of department store sales reports, with the understanding that any Reserve Bank that so elected would continue to collect and publish weekly and perhaps monthly sales data for local areas in its district. Such a program, which had been approved by a majority of the Presidents at the meeting of the Conference of Presidents on March 1, 1965, 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 Reserve Banks but not included in regular Census reports prepared with appropriated funds. (The Presidents felt that the System should underwrite the cost of having Census prepare these figures during the period February 1966 through June 1967, and Census estimated the cost at \$30,000 per 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 announcement to be made at the same time that the other Reserve Banks announced their plans to discontinue the department store reports.

Mr. Sherman's memorandum recommended that the Board concur in the general program approved by the Reserve Bank Presidents, and with the memorandum there was submitted a draft of letter to the Reserve Banks setting out the terms of the Board's approval.

6/17/65

-9-

At the Chairman's request, Mr. Sherman reviewed the material he had covered in his statement at yesterday's meeting presenting the key points involved in the program.

In his comments today Mr. Sherman brought out that approval of the program would mean a withdrawal by the System from an area of statistical reporting in which it had engaged since 1919. The System would remain in the field only to the extent that individual Reserve Banks decided to continue to collect and publish weekly and perhaps monthly department store sales data for cities and areas in their respective districts. At present only three Banks (Boston, Cleveland, and Dallas) planned to continue their weekly series, although one or two more might yet elect to do so. The withdrawal by the Federal Reserve from the remainder of the department store program would mean a loss of certain available information. However, the monthly department store sales report by local areas would be replaced by the Census Bureau's building up and publishing similar data as an extension of its monthly reports of total retail sales. The Census program contemplated that retail sales data for the 60 largest standard metropolitan statistical areas would be prepared with appropriated funds in perhaps a couple of years. In the meantime, Census was willing to compile data for these and additional local areas now covered by the Federal Reserve Bank reports, if the incremental costs (estimated at \$30,000 a year) were financed by the Federal Reserve or some other source, and if retailers were willing

6/17/65

-10-

to furnish data that would make the reports for any given city or area statistically meaningful. It was hoped that Census would be in position to carry this program forward as the Federal Reserve discontinued its reporting next year, in order that there would be some significant local data on retail sales continuously available. The Reserve Bank Presidents had recommended that the Federal Reserve pay the incremental costs of having the monthly figures for the approximately 200 cities and areas now shown in the Federal Reserve reports continued until mid-1967. However, the memorandum (Mr. Sherman's memorandum) left this date open, with the thought that the question of carrying forward the local comparisons might be reviewed in the spring of 1967 in the light of the situation at that time.

While no one could be certain at this stage of the repercussions, Mr. Sherman said he did not anticipate a great problem in the discontinuance by the Federal Reserve of its reporting program, although there would be considerable disappointment in certain areas. He thought Messrs. Noyes and Brill would both say that the actual loss of useful statistical information would be minimal, and in any event there was in process basic improvement in the quality of information available from Census on consumer buying.

Chairman Martin commented that while it was hoped that there would be no complaints, there would probably be quite a few. He went on to bring out that under the current proposal the Federal Reserve

6/17/65

-11-

would be committed to pay until mid-1967 the incremental costs of the Census Bureau's maintaining the monthly store sales series for 200 cities and areas. The situation could then be reviewed, with the possibility of payments to the Census Bureau beyond that date.

Governor Maisel inquired whether, even if the Census Bureau could get appropriated funds to cover the costs of compiling local data, it would prefer to use such money for other purposes.

Mr. Sherman replied that the Census program was moving further into local and area data, there having been an increased interest shown in collection of such information. Census was putting into its budget for the next fiscal year a request for funds to report local retail trade statistics, with a department store breakdown, for some 60 standard metropolitan statistical areas, and it hoped to be able to publish such information beginning in the spring of 1967. When it came to going beyond approximately 60 such areas, however, Census felt that other projects had greater priority.

Governor Mitchell commented that the department stores were now in direct competition with discount houses and other outlets, reflecting their shifting competitive fortunes as well as shifts of trade patterns. For that reason, the System had gotten into trouble with the department store series in the past, and local series generally had become quite poor. He felt Census would find that it had to distinguish between the old-line department stores and the new-type outlets,

6/17/65

-12-

and he did not know how many of the 200 local areas in the Federal Reserve's current series could actually survive on the basis of the Census standards. As to the three districts in which Reserve Banks proposed to continue the local weekly sales series, he felt that some statistical standards ought to be specified. While he would like to see the weekly series made useful because a week was a good time span for measuring retail sales, the Reserve Banks should be required to produce data that were statistically valid.

After comments by the staff on difficulties in establishing precise standards in view of problems presented by certain department store chains, Governor Mitchell observed that in any given case the decision on the series would have to be made by the Reserve Bank concerned. He felt that it should simply be required to insure that the series was statistically valid. If there could be reports from a reasonably meaningful group of stores, there was a great deal to be said for continuing the local weekly data.

Chairman Martin noted that the main concern was not with the cost but with the quality of product. If the Federal Reserve could really do a meaningful job, he would be in favor of continuing the whole program whatever the cost, but the System had not been able to work out a means of doing such a job and had been accused of issuing misleading statistics. In the circumstances, it seemed a reasonable approach to say that the quicker the System got out of the business

6/17/65

-13-

the better, and he felt that it would be desirable to go forward with the program described in Mr. Sherman's memorandum.

There being general agreement, the program described in the memorandum was approved unanimously, along with the proposed letter to the Federal Reserve Banks. A copy of the letter, with its enclosures, is attached as Item No. 8.

All of the members of the staff except Messrs. Sherman, Kenyon, and Hackley then withdrew from the meeting.

Application of State-Planters Bank and questions of general procedure. Governor Mitchell referred to the discussion on June 11, 1965, concerning the application of State-Planters Bank of Commerce and Trusts, Richmond, Virginia, to merge into itself The Tri-County Bank, Mechanicsville, Virginia, the outcome of which was that three Board members (Chairman Martin and Governors Shepardson and Daane) favored approval of the application while three Board members (Governors Robertson, Mitchell, and Maisel) favored denial. This meant that the merger failed of approval and could not legally be consummated.

Governor Mitchell said that upon further thought concerning the matter he had arrived at the following view. There was considerable reason to believe that if the tie vote was publicly announced the applicant would request reconsideration, and probably such a request would be granted. The end result might well be approval of the

6/17/65

-14-

application. Such a chain of events would hardly be desirable from a public relations standpoint.

Governor Mitchell also said that he had asked Mr. Hackley to consider whether there was some feasible way of avoiding situations of this kind in the future.

Mr. Hackley referred to the internal rules of procedure that the Board had adopted in the fall of 1961 for handling merger and holding company applications. He noted that one provision of these rules indicated that the Board members would express their views with respect to an application, after which a vote would be taken. The principal reason for incorporating this provision had been that such a procedure would enable each Board member to hear the views of the other members before committing himself by an actual vote. However, it was also hoped that adherence to such a procedure would tend to avoid a stalemate, since if it appeared that the Board members' views were evenly divided an opportunity would exist for the Board to agree to defer action until all members were present.

Mr. Hackley went on to say that even if a tie vote occurred the case was "in the bosom of the court," so to speak, until the Board's decision was publicly announced, and on motion by any member the Board could agree to reconsider the case when all members were present. Nevertheless, the Board might want to consider the adoption of a general rule of internal procedure under which it would be prescribed

6/17/65

-15-

that in the event of a tie vote the matter would automatically be deferred for final action when all Board members were present. Such a procedure might involve some delays, but it would not be as objectionable as announcement of a tie vote, which actually meant that there had been no action by the Board, although failure to approve of course amounted to denial. It might be argued that there was also good reason to avoid 3-2 or 3-1 decisions, Mr. Hackley continued, but he felt there was some distinction. The Board was required by the Administrative Procedure Act to take action promptly and without unreasonable delay on any application. If a quorum was present and action was taken, this was clearly action on the part of the Board, as distinguished from situations where the vote was 3-3 or 2-2. In such cases the applicant almost inevitably was going to seek reconsideration, which again would mean delay. The Board might be vulnerable if it should be learned that it had deferred the decision in a case because of indication that the vote would be 3-2 or 3-1; but deferral in a case where a tie vote was indicated would not be subject to the same criticism.

In summary, Mr. Hackley said, he would be inclined to recommend the adoption of a rule of internal procedure prescribing that in the future there would automatically be deferment of final action if it appeared that the vote was going to be evenly divided.

6/17/65

-16-

Governor Daane expressed the view that the general rule should provide for approval or denial by a majority of the Board (four members) in merger and holding company cases. Instead of contributing to delay, he felt this should permit a more prompt scheduling of applications and on many occasions permit the announcement of a decision more quickly.

Governor Mitchell also expressed the view that it would be desirable to defer final action when there were less than four votes for or against an application, even in cases not involving a tie vote.

Governor Daane added to his previous comments by observing that applications should not be resolved by happenstance depending on which Board members happened to be present at a given time.

Mr. Hackley indicated that such a provision could of course be added to the internal rules of procedure, if the Board so desired, although he continued to feel that there was a distinction between cases involving tie votes and votes such as 3-2. In his opinion the Board might be criticized for postponing a decision in the latter situation.

Governor Robertson expressed the view that it would be wrong to say in a rule of procedure that the Board, with a quorum present, could not reach a decision and that in such circumstances applications would have to be held up, but he saw merit in the suggestion that had been made by Mr. Hackley with regard to situations involving tie votes. He hoped that any rule of internal procedure would be limited to tie

6/17/65

-17-

vote situations, since he felt that the Board ought to be able to function whenever a quorum was present rather than to hold applications over for an indefinite period of time.

In further discussion Mr. Hackley observed that in actual practice the Secretary was careful to schedule holding company and merger applications for meetings when a maximum number of Board members were present, particularly when cases appearing to present substantial questions were involved.

Governor Daane, speaking further on behalf of the procedure he had previously suggested, emphasized that it should result in expediting cases that proved to be noncontroversial. Under such a procedure applications could be brought up whenever a quorum was present, and it might be found that at least four votes for or against the application were available. It should also insure equitable results for applicants.

Chairman Martin commented that he had tried to handle these matters in such a way as to avoid bringing up applications in circumstances where the result might be, for example, a 3-2 decision. As to the State-Planters case, he pointed out that at the meeting on June 11 question was raised about the possibility of deferring a final decision, but it had been decided not to follow such a course. As Mr. Hackley had said, however, the matter was still "in the bosom of the court."

6/17/65

-18-

Governor Mitchell then moved that the State-Planters application be reconsidered by the Board with all members present prior to announcement of a decision, and this motion was carried unanimously.

There followed further discussion of the comments made earlier by Mr. Hackley regarding the presently-stated rule of procedure whereby it was contemplated that views would be expressed by Board members prior to the taking of a vote on a merger or holding company application. It was pointed out that normally it should be possible to avoid tie votes by adhering to this method. Governor Mitchell made the comment that it had always been customary for the Chairman to give the Board members a chance to raise questions before a vote was taken and that frequently Board members had indicated something of their judgment in those preliminary discussions. In contrast, he was not sure that a sounding-out procedure would quite conform to the way in which decisions should appropriately be reached. On the other hand, Governors Robertson and Maisel indicated that they would favor following a procedure whereby there would be general discussion by the members of the Board of the application prior to the taking of a vote. After Governor Daane joined in this view, there appeared to be general agreement that such a practice would be followed in the future.

There ensued additional discussion concerning whether it would be desirable to adopt an amendment to the rules of internal procedure, during which Governor Daane suggested that some time when a full Board

6/17/65

-19-

was present consideration be given to the possibility of adopting a rule to require that decisions on merger and holding company cases be made by a vote in which at least four members of the Board favored the action either to approve or deny the application.

Chairman Martin then commented that it was difficult to make any hard-and-fast rule on such matters. He pointed out that the alternative suggestion made earlier by Mr. Hackley was that there be an amendment to the rules of internal procedure to specify that cases involving tie votes be deferred for consideration by a full Board.

The discussion concluded with an understanding that Mr. Hackley would review the rules of internal procedure in the light of the points raised at this meeting and submit a draft of amendment for the Board's consideration that would specify that cases involving tie votes would be deferred for consideration by the full Board.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of New York (attached Item No. 9) approving the reappointment of William A. Anttila as examiner.

Telegram to the Federal Reserve Bank of Richmond (attached Item No. 10) approving the reappointment of James T. Sexton as assistant examiner.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 11) approving the reappointment of Richard J. Higginson as assistant examiner.

6/17/65

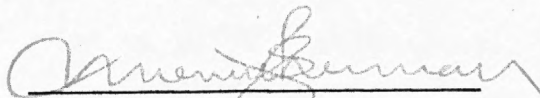
-20-

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

Appointments

Sara Jane Keener as Records Clerk, Office of the Secretary, with basic annual salary at the rate of \$4,480, effective the date of entrance upon duty.

Robert W. King as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$9,535, effective the date of entrance upon duty.


Secretary



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

Item No. 1
6/17/65

**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

June 17, 1965

**Board of Directors,
Central Trust Company, Rochester, N. Y.,
Rochester, New York.**

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Central Trust Company, Rochester, N. Y., Rochester, New York, of a branch in the Panorama Plaza Shopping Center (about 510 feet from your existing branch at 66 Panorama Plaza), Town of Penfield, Monroe County, 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

Item No. 2
6/17/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1965

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

Dear Mr. Swan:

In accordance with the recommendation in your letter of June 3, 1965, the Board of Governors has changed the classification of member banks in the Twelfth District for purposes of electing Class A and Class B directors to the following:

<u>Group</u>	<u>Banks with capital and surplus of:</u>
1	\$8,000,000 or more.
2	In excess of \$1,150,000, and less than \$8,000,000.
3	\$1,150,000 or less.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

6/17/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1965



Mr. Joseph B. Hall,
Federal Reserve Agent,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio 44101.

Dear Mr. Hall:

As requested in your letter of June 3, 1965, the Board of Governors approves the appointment of Mr. John D. Groppe as Federal Reserve Agent's Representative at the Cincinnati Branch to succeed Mr. Richard P. Oettinger.

This approval is given with the understanding that Mr. Groppe will be solely responsible to the Federal Reserve Agent and the Board of Governors for the proper performance of his duties, except that, during the absence or disability of the Federal Reserve Agent or a vacancy in that office, his responsibility will be to the Assistant Federal Reserve Agent and the Board of Governors.

When not engaged in the performance of his duties as Federal Reserve Agent's Representative, Mr. Groppe may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Cincinnati Branch, perform such work for the Branch as will not be inconsistent with the duties as Federal Reserve Agent's Representative.

It will be appreciated if Mr. Groppe is fully informed of the importance of his responsibilities as a member of the staff of the Federal Reserve Agent and the need for maintenance of independence from the operations of the Bank in the discharge of these responsibilities.

Please have Mr. Groppe execute the usual Oath of Office which should then be forwarded to the Board of Governors along with notification of the effective date of his appointment.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
6/17/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1965

CONFIDENTIAL (FR)

Mr. C. J. Scanlon, President,
Federal Reserve Bank of Chicago,
Chicago, Illinois 60690.

Dear Mr. Scanlon:

As requested in your letter of June 3, the Board of Governors approves, retroactive to June 1, 1965, payment by the Federal Reserve Bank of Chicago to the Bank's Plumbers and Carpenters of the following annual salaries, which are above the maximum of the grades in which the positions are classified:

<u>Title</u>	<u>Annual Salaries</u>
Head Carpenter	\$10,088.00
Carpenters	9,079.20
Plumbers	9,360.00

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
6/17/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1965

CONFIDENTIAL (FR)

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

Dear Mr. Hayes:

The Board of Governors approves the appointment of Mr. Fred W. Piderit, Jr. as Vice President in charge of the Bank Supervision and Relations function at the Federal Reserve Bank of New York, effective July 1, 1965.

The Board also approves payment of salaries to Mr. Piderit and other officers of the Federal Reserve Bank of New York listed below, at rates indicated, for the period July 1 through December 31, 1965:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Fred W. Piderit, Jr.	Vice President	\$24,000
Leonard I. Bennetts	Manager	14,500
Robert J. Crowley	Manager	17,000
William M. Schultz	Assistant General Auditor	15,000
Richard A. Debs	Assistant Counsel and Assistant Secretary	15,000
Robert C. Thoman	Manager	17,000

Buffalo Branch

John T. Keane	Cashier	17,000
Harry A. Curth, Jr.	Assistant Cashier	13,000

Salary rates approved are those fixed by your Board of Directors as reported in your letter of June 7.

Very truly yours,
(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D. C.

In the Matter of the Application of
CITIZENS BANK
for approval of consolidation with
Security State Bank, Gayville, So. Dak.,
Farmers State Bank, and
The Security State Bank

ORDER APPROVING CONSOLIDATION OF BANKS

There has come before the Board of Governors, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), an application by Citizens Bank, Vermillion, South Dakota, a State member bank of the Federal Reserve System, for the Board's prior approval of the consolidation of that bank and Security State Bank, Gayville, So. Dak., Gayville, South Dakota, Farmers State Bank, Tabor, South Dakota, and The Security State Bank, Wakonda, South Dakota, under the charter and title of the applicant. As an incident to the consolidation, the four offices of the Gayville, Tabor, and Wakonda banks would be operated as branches of the applicant bank. Notice of the proposed consolidation, in form approved by the Board, has been published pursuant to said Act.

Upon consideration of all relevant material in the light of the factors set forth in said Act, including reports furnished by the

-2-

Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Attorney General on the competitive factors involved in the proposed consolidation,

IT IS HEREBY ORDERED, for the reasons set forth in the Board's Statement of this date, that said application be and hereby is approved, provided that said consolidation shall not be consummated

- (a) within seven calendar days after the date of this Order or
- (b) later than three months after said date.

Dated at Washington, D. C., this 17th day of June, 1965.

By order of the Board of Governors.

Voting for this action: Chairman Martin, and
Governors Robertson, Shepardson, Mitchell, Daane,
and Maisel.

Absent and not voting: Governor Balderston.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

Item No. 7
6/17/65

BOARD OF GOVERNORS

OF THE

FEDERAL RESERVE SYSTEM

APPLICATION OF CITIZENS BANK FOR APPROVAL
OF CONSOLIDATION WITH SECURITY STATE BANK, GAYVILLE, SO. DAK.,
FARMERS STATE BANK, AND THE SECURITY STATE BANKSTATEMENT

Citizens Bank, Vermillion, South Dakota ("Citizens"), with total deposits of about \$4 million, has applied, pursuant to the Bank Merger Act of 1960 (12 U.S.C. 1828(c)), for the Board's prior approval of the consolidation of that bank and Security State Bank, Gayville, So. Dak., Gayville, South Dakota ("Gayville Bank"), Farmers State Bank, Tabor, South Dakota ("Tabor Bank"), and The Security State Bank, Wakonda, South Dakota ("Wakonda Bank"), with deposits of about \$1.7 million, \$1.2 million, and \$2.7 million, respectively.^{1/} The banks would consolidate under the charter and title of Citizens Bank, a State member bank of the Federal Reserve System. As an incident to the consolidation, the sole offices of Gayville Bank and Tabor Bank and the two offices of Wakonda Bank would become branches of Citizens Bank, increasing the number of its offices from one to five.

Under the law, the Board is required to consider, as to each of the banks involved, (1) its financial history and condition

^{1/} Deposit figures are as of December 31, 1964.

(2) the adequacy of its capital structure, (3) its future earnings prospects, (4) the general character of its management, (5) whether its corporate powers are consistent with the purposes of 12 U.S.C., Chapter 16 (the Federal Deposit Insurance Act), (6) the convenience and needs of the community to be served, and (7) the effect of the transaction on competition (including any tendency toward monopoly). The Board may not approve the consolidation unless, after considering all of these factors, it finds the transaction to be in the public interest.

Banking factors. - The financial histories and conditions of Citizens, Tabor Bank, and Wakonda Bank are satisfactory. This is true also of the capital structure, earnings prospects, and management of each of these three banks. Gayville Bank - which only recently acquired new management regarded as satisfactory - has had a less than satisfactory asset condition. Effectuation of the proposal would permit improvement in the asset condition and capital position of what has been Gayville Bank and provide a basis for improved earnings relative to that bank. The asset condition and capital structure of the resulting bank would be satisfactory, its management would be competent, and its earnings prospects would be favorable. The four participating banks are controlled by the same individual through direct or indirect ownership of a majority of the stock of each of the banks.

There is no indication that the corporate powers of the banks are, or would be, inconsistent with the purposes of 12 U.S.C., Chapter 16.

Convenience and needs of the communities. - The offices of the four participating banks are located in the contiguous South Dakota counties of Clay, Yankton, and Bon Homme, situated in the southeastern part of the State. Vermillion (with a population of about 6,200) and Wakonda are in Clay County. Gayville and Volin (the location of Wakonda Bank's second office), are in Yankton County, and Tabor is in Bon Homme County. Wakonda, Volin, Gayville, and Tabor are small rural communities with populations ranging from about 200 to 400. The population of the trade area served by Vermillion is over 16,000, while the population of the trade areas served by the four smaller towns exceeds 6,000. The Missouri River forms a natural barrier between the three counties and the State of Nebraska on the south.

The economy of the total area involved is based on agriculture, chiefly feed crops and livestock feeding. The trend in the area is toward fewer farms, larger farms, and larger capital investment per farm unit.

The only banking offices in Wakonda, Tabor, Gayville, and Volin are those of the participating banks. The only other commercial banking office in Vermillion is a branch of the National Bank of South Dakota, Sioux Falls, 65 miles to the north. Should the

consolidation be consummated, the branches of the resulting bank would range from nine miles to twenty-two miles from the nearest office of another commercial bank.

Each of the four participating banks has had to sell or participate portions of several loans in order to avoid overlies. If the proposal were effectuated, the lending limit of the resulting bank would be \$150,000, compared to lending limits ranging from \$15,000 to \$50,000 for the individual participating banks. It appears that the increased lending limit would have been sufficient to cover most of the loans sold or participated. The resulting bank expects to provide trust services at each of its offices. The evidence indicates that this would fulfill a need in the service area^{2/} of the resulting bank.

While it is not claimed that credit needs of the communities concerned are not being met, consummation of the proposal would make available in the areas involved improved banking services to customers of the four banks, and banking offices with capabilities more consonant with the economic development in the area. This would include the cessation of exchange charges at offices of the three banks that would become branches of Citizens, a member bank.

Competition. - As the four banks are, directly or indirectly, under the common control of one individual, they are not to be regarded as effective competitors of one another. Although there is a slight

^{2/} The area from which a bank derives 75 per cent or more of its deposits of individuals, partnerships, and corporations.

overlapping of the service areas of the four banks, in view of their size, location, and the essentially local nature of their business, the potential for competition among them would be limited even if common ownership were terminated.

The resulting bank would rank second in size among the sixteen commercial banks with offices in the area that would be served by it. Upon consummation of the transaction, Citizens' share of the deposits in banking offices in that area would increase from just under six per cent to almost fourteen per cent. On this basis, the largest bank in the area is American State Bank, Yankton, which has almost twenty-five per cent of the area's deposits. The First Dakota National Bank, Yankton, would rank third with over thirteen per cent of the area's deposits, while the Vermillion branch of National Bank of South Dakota, Sioux Falls, would be in fourth place with 10.5 per cent.

Consummation of the transaction would place Citizens in a position to compete more effectively with the Vermillion branch of the National Bank of South Dakota (a subsidiary of The First Bank Stock Corporation, Minneapolis, Minnesota, a registered bank holding company), and might stimulate competition for American State Bank. There is no evidence that consummation of the transaction would have an adverse competitive effect on any of the smaller banks in the service area of the resulting bank. Most of these banks serve primarily the small communities in which they are located.

Summary and conclusion. - The proposed consolidation of four relatively small banks in three contiguous counties in southeastern South Dakota would not adversely affect any bank in the service area of the resulting bank, although it would tend to provide stronger competition for the larger banks located and doing business in the area. Furthermore, the resulting bank would be in a position to provide expanded banking services in keeping with the trend in the agricultural area involved towards larger and fewer agricultural units.

Accordingly, the Board finds that the proposed consolidation would be in the public interest.

June 17, 1965.

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

Item No. 8
6/17/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 30, 1965.

Dear Sir:

This letter refers to the action of the Conference of Presidents in March of this year approving a general program for discontinuing most of the Federal Reserve System's activities in collecting department store data after completion of reports covering January 1966.

The Board has reviewed the program proposed by the Presidents and, in general, concurs in it. This includes making appropriate announcements to respondent stores and giving notice to other persons and firms whose names are on the mailing lists for the present reports of the Board and the Reserve Banks. Copies of a letter for use in advising respondent stores (Exhibit "A") and of a notice for more general distribution (Exhibit "B") are enclosed.

While the letters of the individual Reserve Banks to respondent stores may be varied to meet local conditions, any portions containing statements of general policy or of arrangements with the Bureau of the Census should adhere to the language contained in enclosure "A." To complete the Board's records, it will be appreciated if in due course you will furnish this office with two copies each of the letter and notice that you use in advising of the change.

No press release will be issued regarding these changes, but the "notice" will be sent to the press as well as to others now receiving trade releases from either the Board or the Banks.



Also enclosed is a copy of a letter that Chairman Martin plans to send to the President of the National Retail Merchants Association, Mr. Carl N. Schmalz. (See Exhibit "C") However, this letter will not be dispatched until word is received from each President as to his Bank's specific plans with respect to termination or continuation of the reporting system after next January. Reserve Banks should, of course, defer giving notice to their respondent stores of their plans until the Chairman's letter has been sent to Mr. Schmalz.

In advising the Board of your plans, please state specifically whether your Bank will discontinue its present weekly and/or monthly department store sales report for cities and areas within your District.

It is assumed that all Reserve Banks will discontinue the departmental report with the completion of data for January 1966.

The Board leaves to the individual Reserve Banks the decision as to continuation of local city or area sales data, either on a weekly or monthly basis. If such data are compiled by your Bank after next January, the Board will wish to receive copies of the summary reports, but it will not wish to receive individual store data thereafter. However, the Board feels that those Banks that continue reports should review them carefully to assure that only meaningful, representative data are published.

The Board has approved the recommendation of the Conference of Presidents that the System make an arrangement with the Bureau of Census under which that Bureau will undertake to compile and publish monthly department store sales comparisons for any of the approximately 200 cities and local areas now shown in Federal Reserve Bank monthly reports for which representative data can be collected. Under that arrangement the System would pay the incremental costs incurred by Census, estimated at \$30,000 per year. Rather than pro rate this cost among individual Reserve Banks, the Board is prepared to assume the expense until June 1967, with the understanding that the matter will be reviewed in the spring of that year to determine what should be done after that date.

The monthly reports prepared by Census will use the Standard Industrial Classification as the basis for the list of respondent stores. The availability and timeliness of data for an

Individual city or area will depend upon the cooperation of the stores in submitting their reports. It is expected that such comparisons would appear in table 11 of the monthly retail trade report issued by Census about the 10th of the second month following that covered by the comparisons (see sample copy enclosed), but individual city compilations will be available much earlier if representative information is received sooner by Census.

Census will not release comparisons that it believes to be unrepresentative of the department store trade, as measured by stores in the Standard Industrial Classification. Except for a transition period of a few months, Census would not wish to release figures for any city or area for which a Federal Reserve Bank publishes a monthly department store sales comparison based on a different sample of stores. In other words, different reports purporting to measure essentially the same segment of trade for the same period are not to be issued both by the Bureau of the Census and the Reserve Banks. For this reason, it becomes important to know as promptly as feasible whether any Reserve Banks plan to collect monthly data of department store sales and release comparisons based upon such reports.

As to weekly data, discontinuance by the Reserve Banks of their present reports will, so far as is known, terminate completely the availability of such information. Census would be willing to undertake weekly local reports for many of the cities now covered by the Federal Reserve, provided the costs of initiating and maintaining such a service were financed out of other than appropriated funds, but the Board notes that most Reserve Banks do not favor the System underwriting such a cost, estimated at from \$175,000 to \$250,000 a year. The Board anticipates that there will be considerable disappointment on the part of the trade and the general public regarding the termination of weekly data. However, it is not prepared to sponsor and finance Census collection of such statistics in view of the apparent conclusion of a large majority of the Presidents that there is not sufficient need for the weekly data, either for internal or for public purposes, to justify their collection.

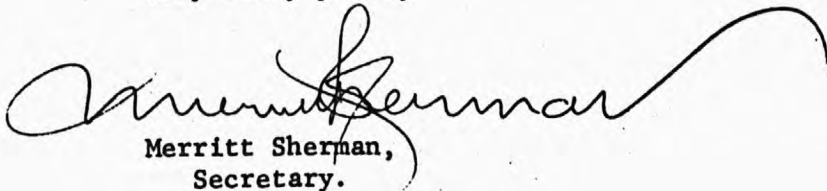
In this connection, the Board would like to receive from each President an expression of his views at this time as to the usefulness to the public and to analysts generally of weekly data for individual cities and local areas covering retail sales or a segment thereof, such as GAF or department stores.

-4-

A number of questions as to disposition of questionnaires and as to sales reports now received from national chains will no doubt arise between now and the end of January 1966, and these may be taken up directly with the Director of the Division of Research and Statistics or at future meetings of the System Research Advisory Committee.

It is not possible to know at this time whether there will be a substantial volume of inquiries regarding the decision of the Reserve Banks to discontinue most of the department store statistics. The Board will plan, in general, to refer such inquiries as may come to its offices to the Reserve Banks concerned for appropriate handling when they relate to changes in availability of city or local area data.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosures.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

(6/30/65)

Letter to be sent by Reserve Banks planning to terminate department store reporting at the end of January 1966. (To be dispatched after Chairman Martin's letter to President of N.R.M.A. has been mailed.)

To Stores Reporting Sales Data to the Federal Reserve Bank of _____

Dear _____ :

In December 1963, our Bank wrote to you outlining general plans for the eventual withdrawal of the Federal Reserve from the collection of department store statistics. For some time the Bureau of the Census has been publishing department store sales at the national level on a weekly and monthly basis, and the monthly data also are compiled and published for selected regions. In addition, Census reports now include monthly sales comparisons for each of the 20 largest metropolitan areas for stores specializing in department-store types of merchandise (general merchandise, apparel, and furniture and appliance groups, referred to as "GAF"), although data are not presently shown for department stores separately.

This Bank is continuing with its plan to disengage on an orderly basis from the collection of retail trade statistics, and the purpose of this letter is to let you know of changes that will be made next year, as outlined below:

The Federal Reserve monthly report of sales by departments will be discontinued with the report covering January 1966.

-2-

This Bank's weekly report of sales for major metropolitan areas in the District will be discontinued with the report for the last week of January 1966.

This Bank's monthly report of total department store sales by local areas will be discontinued with the report for January 1966, but arrangements have been made for the Bureau of the Census to continue, under contract with the Board of Governors of the Federal Reserve System, the collection and publication of such information at least until June 1967. With the support of the Federal Reserve System and the trade, the Bureau of the Census will undertake to provide monthly compilations of total department store sales for the metropolitan areas and other centers for which such reports are now issued by the Federal Reserve Banks.

The program of Census contemplates the development of monthly reports of total retail and/or GAF sales for the 60 largest standard metropolitan statistical areas (list attached), with department store sales shown separately as a component of the area totals. Reports prepared under the contract with the Federal Reserve for areas other than these 60 SMSAs would be discontinued in due course unless some other arrangement were made for financing their continuation.

Where the reports issued by the Bureau of the Census do not meet all the needs of the trade or other local interests and the trade desires to arrange for continuation of any of the information now scheduled to be terminated in 1966, this Bank will cooperate fully with responsible representatives of local interests to facilitate transfer to an agent of their choice of any part, or all, of the retail trade data it is collecting currently. We will be prepared to provide during a transition period general technical information and advice regarding

our statistical procedures, and insofar as may be authorized by participating stores, any necessary background data previously reported to us. Arrangements for continuation of reporting programs might be developed, for example, with bureaus of business research in local universities, trade associations, accounting firms, or similar establishments.

The excellent cooperation of department stores over the years which has made possible the timely reporting of sales of these firms in local areas and the nation has been greatly appreciated by the Federal Reserve System as well as other users of the information. The changes being made in collection and publication of retail trade data, some of which are outlined in this letter, reflect the efforts of many individuals and much study over a considerable number of years. I believe the results will be a significant improvement in the statistical information on retail trade which, over time, will serve effectively many of the needs of the trade, government, and the public. If you or your associates have questions on the program, Mr. _____ of our Research Department will be glad to assist you in any way possible.

Sincerely yours,

President.

Attachment.

SIXTY LARGEST STANDARD METROPOLITAN STATISTICAL AREAS--1960

New York, N.Y.	Tampa-St. Petersburg, Fla.
Los Angeles-Long Beach, Calif.	Louisville, Ky.-Ind.
Chicago, Ill.	Indianapolis, Ind.
Philadelphia, Pa.-N.J.	Dayton, Ohio
Detroit, Mich.	San Antonio, Texas
San Francisco-Oakland, Calif.	Columbus, Ohio
Boston, Mass.	Phoenix, Ariz.
Pittsburgh, Pa.	Albany-Schenectady-Troy, N.Y.
St. Louis, Mo.-Ill.	San Jose, Calif.
Washington, D.C.-Md.-Va.	Birmingham, Ala.
Cleveland, Ohio	Memphis, Tenn.
Baltimore, Md.	Jersey City, N.J.
Newark, N.J.	Rochester, N.Y.
Minneapolis-St. Paul, Minn.	Norfolk-Portsmouth, Va.
Buffalo, N.Y.	Gary-Hammond-East Chicago, Ind.
Houston, Texas	Fort Worth, Texas
Milwaukee, Wis.	Syracuse, N.Y.
Paterson-Clifton-Passaic, N.J.	Hartford, Conn.
Seattle, Wash.	Akron, Ohio
Dallas, Texas	Oklahoma City, Okla.
Cincinnati, Ohio-Ky.	Youngstown-Warren, Ohio
Kansas City, Mo.-Kans.	Sacramento, Calif.
San Diego, Calif.	Honolulu, Hawaii
Atlanta, Ga.	Allentown-Bethlehem-Easton, Pa.-N.J.
Miami, Fla.	Springfield-Chicopee-Holyoke, Mass.
Denver, Colo.	Omaha, Nebr.-Iowa
New Orleans, La.	Toledo, Ohio
Portland, Oreg.-Wash.	Jacksonville, Fla.
Providence-Pawtucket, R.I.-Mass.	Tulsa, Okla.
San Bernardino-Riverside-Ontario, Calif.	Richmond, Va.

(6/30/65)

Notice Regarding Termination of the
Department Store Statistics Program

(To be sent to nonrespondent mailing lists at the Board of Governors and at the Reserve Banks that discontinue all trade reporting activities. To be mailed at time respondent store letters are dispatched.)

On January 31, 1966 the collection and publication of information on department store sales will be discontinued as a nationwide Federal Reserve System statistical program. During the past few years, national statistical agencies in consultation with representatives from retailing have been working to improve existing retail trade statistics, collection of which is centered in the U.S. Bureau of the Census.

Early in 1964, the Federal Reserve discontinued publication of national figures on total weekly and monthly department store sales, which were also being released in reports of the Census Bureau. Most of the remaining portions of the Federal Reserve department store statistics program are slated for discontinuance at the end of January 1966. The weekly report of total sales by local areas will be discontinued at that time by most of the Reserve Banks, as well as by the Board of Governors, and the monthly reports of sales broken down by departments for major metropolitan areas and for the United States as a whole will then be terminated.

The Federal Reserve Banks and the Board of Governors will also discontinue the collection and release of monthly reports of total department store sales for local areas after the close of January 1966,

but arrangements have been made for the Bureau of the Census to continue, under contract with the Board of Governors of the Federal Reserve System, these reports at least until June 1967 for substantially the same list of cities and local areas that are now presented in the Federal Reserve monthly reports, provided that the department stores in any given locality furnish data to make the reports representative.

The termination date for the Federal Reserve reports--January 1966--is set a considerable distance in the future to allow ample time for all groups to establish alternative sources for compiling parts of the existing program that will be discontinued by the Federal Reserve. During this interval, the Federal Reserve Banks are prepared to cooperate in any way possible to assure an orderly transfer to successor agencies by the termination date.

At the present time, the Bureau of the Census publishes weekly retail sales data for the United States as a whole, and it also publishes monthly retail sales information for the United States, for Census divisions, for large States, and for major metropolitan areas--much of it broken down by line of trade. Future plans of the Bureau of the Census call for further expansion of retail sales information for major metropolitan areas that will be more indicative of consumer spending than the existing department store statistics.

Exhibit "C"

(6/30/65)

(Date for mailing to
be determined later)

Mr. Carl N. Schmalz,
President,
National Retail Merchants Association,
100 West 31st Street,
New York, New York.

Dear Mr. Schmalz:

My letter of November 19, 1963 to Mr. H. H. Bennett, then President of the National Retail Merchants Association, outlined plans for a number of changes in the Federal Reserve reports of department store trade. These changes looked toward both an improvement in the quality of data available on retail trade and an eventual withdrawal of the Federal Reserve from work in that area, since the Federal Reserve believes that the Bureau of the Census is the appropriate agency for conducting whatever is needed in the way of a Federal Government program for retail trade statistics.

A number of changes in the Federal Reserve reports were effected early in 1964, and the purpose of this letter is to let you know of further changes that are planned for early 1966. These changes are outlined in some detail in the enclosed copy of a letter to be sent shortly by most of the Federal Reserve Banks to respondent stores in their districts. Also enclosed is a draft of notice that will be sent by the Board and by the Reserve Banks to nonreporting persons and firms on the mailing lists for the present trade data.

Mr. Carl N. Schmalz

-2-

Briefly, the Federal Reserve reports on department store sales (as well as a small amount of information collected on a few closely related lines of retail trade) will be discontinued after completion of the reports covering January 1966, except in the case of a few of the Federal Reserve Banks that plan to continue the collection of a limited amount of local weekly (and possibly monthly) sales data from department stores. The weekly reports issued by the Reserve Banks in all but three Federal Reserve districts (Boston, Cleveland, and Dallas) will be terminated, as will the monthly reports of sales broken down by departments and the monthly reports of total store sales by cities and local areas. The weekly and monthly reports of department store sales issued by the Board of Governors covering individual cities and areas as well as its departmental sales summary will also be terminated at that time.

In the case of the monthly reports of the Federal Reserve Banks covering sales by cities or local areas, arrangements have been made for the Bureau of the Census to continue to collect and publish data for any of the approximately 200 cities and local areas now covered individually in the Reserve Bank reports for which stores are prepared to furnish representative basic data. This will continue at least until mid-1967. The program of Census contemplates the development of monthly reports of total and/or GAF sales for the 60 largest standard metropolitan statistical areas, with department store sales shown separately as a component of the area totals. Continuation of local

Mr. Carl N. Schmalz

-3-

data for cities outside the 60 SMSA's contemplated in the Census program will depend upon obtaining financing to cover the out-of-pocket costs of Census in preparing data for the additional cities.

As indicated in the letter that the Reserve Banks will soon be sending to respondent stores, ample notice is being given of these changes in order to permit any interested groups to make arrangements for continuation by another agency of the reports that will not be available from the Federal Reserve after those covering January 1966. The Reserve Banks will, of course, be happy to be of all possible assistance to respondent stores in arranging for transfer of such reporting activities to another agency of the stores' choice.

The Federal Reserve believes that considerable progress has been made during the past few years in laying the basis for improved information on retail trade and that further improvement may be looked for in the future. This has resulted from contributions by many persons over a period of years, including those who served on the Committee of Five established in the Spring of 1960. The representatives of the National Retail Merchants Association who served on that Committee-- Mr. Sam Flanel and Mr. Alfred E. Eisenpreis--have made many constructive suggestions in connection with the development of improved trade information, and they have shown a broad understanding of the needs not only of the trade but of other users for reliable data in this area. We greatly appreciate the assistance that your Association has given to the

Mr. Carl N. Schmalz

-4-

development of this program and, while the Committee of Five as such may have completed its work, we look forward to continued cooperation with your representatives in carrying forward the program for improved quality of information regarding this phase of economic activity.

Sincerely yours,

Wm. McG. Martin, Jr.

Enclosures

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

Item No. 9
6/17/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1965.

Mr. Howard D. Crosse, Vice President,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mr. Crosse:

In accordance with the request contained in
Mr. Quackenbush's letter of June 14, 1965, the Board
approves the reappointment of William A. Anttila as an
examiner for the Federal Reserve Bank of New York,
effective June 24, 1965.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

2092

Item No. 10

6/17/65

TELEGRAM
LEASED WIRE SERVICE

**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON**

June 17, 1965.

NOSKER - RICHMOND

Reurlet June 16, 1965, Board approves reappointment of
James T. Sexton as assistant examiner for Federal Reserve
Bank of Richmond effective today.

(Signed) Kenneth A. Kenyon

KENYON

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

Item No. 11
6/17/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 17, 1965.

Mr. John L. Nosker, Vice President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Nosker:

In accordance with the request contained in your letter of June 11, 1965, the Board approves the reappointment of Richard J. Higginson as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.