

Minutes for June 21, 1965

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, please initial below. If you were present at the meeting, your initials will indicate approval of the minutes. If you were not present, your initials will indicate only that you have seen the minutes.

Chm. Martin

RM

Gov. Robertson

R

Gov. Balderston

CB

Gov. Shepardson

ES

Gov. Mitchell

UM

Gov. Daane

DD

Gov. Maisel

EM

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

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Brill, Director, Division of Research and
Statistics
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Kakalec, Controller
Mr. Hexter, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Sprecher, Assistant Director, Division of
Personnel Administration
Mrs. Semia, Technical Assistant, Office of the
Secretary
Mr. McClintock, Supervisory Review Examiner,
Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on June 17, 1965, of the rates on discounts and advances in their existing schedules was approved unanimously, with the understanding that appropriate advice would be sent to those Banks.

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

Item No.

Letter to Marine Midland Trust Company of Northern
New York, Watertown, New York, approving the
establishment of a branch at 1218 Arsenal Street.

6/21/65

-2-

	<u>Item No.</u>
Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch at either of two specified locations in Woodside.	2
Letter to the Federal Reserve Bank of Richmond waiving the assessment of a penalty incurred by Bank of Dublin, Inc., Dublin, Virginia, because of a deficiency in its required reserves.	3
Letter to the Federal Reserve Bank of Chicago regarding an investment in bank premises by The Northern Trust Company, Chicago, Illinois. (The letter as approved reflected certain changes suggested by the Legal Division. It was understood that the substance of the letter would be sent to all Federal Reserve Banks.)	4
Letter to the Federal Reserve Bank of Richmond approving the appointment of Robert A. Perry as an additional Federal Reserve Agent's Representative at the Baltimore Branch.	5
Letter to the Federal Reserve Bank of Chicago approving the payment of salary to the marble maintenance man at a specified rate for the time spent performing marble setter duties.	6
Letter to the Federal Reserve Bank of Kansas City approving the payment of salary to Maurice J. Swords as Assistant Chief Examiner at the rate fixed by the Bank's Board of Directors.	7
Letter to the Federal Reserve Bank of San Francisco approving the payment of salary to J. Howard Craven as Vice President at the rate fixed by the Bank's Board of Directors.	8

Messrs. Hooff and McClintock then withdrew from the meeting.

Consultant fees (Item No. 9). There had been distributed a memorandum dated June 11, 1965, from Mr. Noyes regarding a question

6/21/65

-3-

raised by Vice President Baughman of the Federal Reserve Bank of Chicago as to the payment of fees to academic consultants in connection with the work of various System research committees. These fees had been paid by the Board or by the Reserve Bank at which a particular meeting was held in which a consultant had participated. Awkwardness had arisen, however, in various circumstances such as when a committee met at a place other than the home office of the committee chairman. Vice President Baughman suggested that the costs of such consultants be handled as a Board expense, with proration among the Reserve Banks.

After discussion with several Board staff members, however, Mr. Noyes suggested in his memorandum a procedure under which the Board or any of the Reserve Banks at which meetings were held would bear the costs of consultants appearing at the meetings. In cases where consultants advised individuals on behalf of committees or advised committee working groups at other than full committee meetings, the System office (Board or Bank) of the individual or the chairman of the working group would bear the expense. It was believed that such a procedure would have the advantage of spreading the administrative paper work among the Banks and the Board as well as, in the longer run, prorating costs. It was also suggested that the Board's Division of Personnel Administration keep a record of fees paid, which would insure that any Bank considering the use of a particular consultant would be

6/21/65

-4-

able to ascertain the going rate. Mr. Noyes' recommendations were reflected in a draft of letter to the Presidents of the Federal Reserve Banks that was attached to the memorandum.

After discussion during which the relative simplicity of the proposed arrangement was indicated to be one of the principal advantages, the letter to the Federal Reserve Banks was approved unanimously, subject to editorial changes. A copy of the letter in the form transmitted is attached as Item No. 9.

Consumer credit meeting. Mr. Brill invited members of the Board to attend a meeting to be held in the Board Room on Wednesday afternoon, June 23, at which a number of recognized experts in the field of consumer credit would be present for discussion of developments in that area.

Mission to the Dominican Republic. Governor Shepardson reported that the Department of State had indicated an urgent need for technical assistance in setting up procedures for clearing checks in the Dominican Republic and had asked that the services of a Spanish-speaking Federal Reserve expert be made available for about one week beginning June 22, 1965, to help devise a solution to the problem. The Division of International Finance had determined that Armand Pascual, Systems Analyst at the Federal Reserve Bank of San Francisco, would be available for such an assignment. Since the need was urgent, Governor

6/21/65

-5-

Shepardson had authorized the Division to proceed with the necessary arrangements, it being understood that the Department of State would bear the cost of Mr. Pascual's travel expenses and that the Federal Reserve Bank of San Francisco would continue to pay his salary.

The Board noted without objection the arrangements that had been described.

The meeting then adjourned.

Secretary's Notes: Pursuant to the general authorization given at the meeting on April 22, 1965, there was sent on June 18, with the approval of Governor Shepardson, a letter to McKinsey & Company, Inc., Washington, D. C., advising of the appointment of that firm to assist in developing guidelines for determining appropriate salary ranges for Federal Reserve Bank officers. As indicated by a statement of terms and conditions enclosed with the letter, the specific objective was to obtain factual information regarding salaries paid in the New York community for positions comparable to those of Reserve Bank officers supervising eight designated functions. Charges for the study, including professional fees and expenses, were not to exceed \$15,000, with payment to be made by the Board upon receipt of the final report.

On June 18, 1965, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Secretary of the Retirement System of the Federal Reserve Banks (attached Item No. 10) regarding continuation of supplemental retirement benefits to retirees under the Board Plan; letter to the Federal Reserve Bank of Richmond (attached Item No. 11) regarding continuation of the supplemental retirement benefit payable to Mrs. Irene H. Flagg, widow of Maurice P. Flagg.

6/21/65

-6-

Letter to the Federal Reserve Bank of Minneapolis (attached Item No. 12) approving the appointment of William V. Fischer as examiner.

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

Appointment

Charles A. Sloke as Guard, Division of Administrative Services, with basic annual salary at the rate of \$4,005, effective June 21, 1965.

Salary increases, effective June 20, 1965

Helen Cooke, Statistical Clerk, Division of Research and Statistics, from \$4,930 to \$5,330 per annum, with a change in title to Statistical Assistant.

Natalie C. Strader, Survey Statistician (Economics), Division of Research and Statistics, from \$8,445 to \$8,945 per annum.

Herbert W. Bundy, Bindery Helper and Operator (Mimeograph), Division of Administrative Services, from \$5,616 to \$5,907 per annum, with a change in title to Bindery Worker.

James R. Jordan, Operator (Offset Press and Multilith), Division of Administrative Services, from \$5,346 to \$5,616 per annum.

Leave without pay

Mary F. Weaver, Statistical Assistant, Division of Research and Statistics, for a period of three months beginning June 22, 1965. (It was understood that the Division was authorized to recall Mrs. Weaver for intermittent periods of work if necessary.)

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

Appointments

Carol Marie O'Brien as Secretary, Office of the Secretary, with basic annual salary at the rate of \$5,660, effective the date of entrance upon duty.

6/21/65

-7-

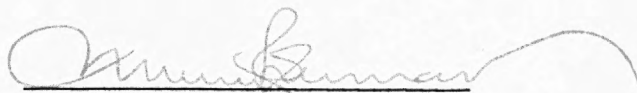
Appointments (continued)

Benson H. Hart as Economist, Division of International Finance, with basic annual salary at the rate of \$10,250, effective the date of entrance upon duty.

Permission to engage in outside activities

Guy R. DeCarlo, Economist, Division of International Finance, to teach a course in Economic Principles for the University of Maryland (at the Navy Annex in Arlington).

Mack R. Rowe, Chief, Economic Graphics Section, Division of Data Processing, to teach a course in Audio-Visual Instruction at the Northern Virginia Center of the University of Virginia.


Secretary

2101

Item No. 1
6/21/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD
June 21, 1965

Board of Directors,
Marine Midland Trust Company of
Northern New York,
Watertown, New York.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Marine Midland Trust Company of Northern New York, Watertown, New York, of a branch at 1218 Arsenal Street, Watertown, New York, provided the branch is established within one year 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.)

Item No. 2
6/21/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1965

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch either at the intersection of Woodside and Whiskey Hill Roads or in the vicinity of the intersection of Woodside and Mountain Home Roads, both locations in Woodside, San Mateo County, California, provided the branch is established within one year 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.)

Item No. 3
6/21/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1965

Mr. Edward A. Wayne, President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Wayne:

This refers to your letter of June 7, 1965, regarding the penalty of \$9.21 incurred by the Bank of Dublin, Inc., Dublin, Virginia, on a 2.17 per cent deficiency in its required reserves for the biweekly computation period ended May 12, 1965.

It is noted that (1) your Bank believes that assessment of this penalty would not be consistent with its interest in preventing the failure of the Bank of Dublin, Inc., and (2) the deficiency could be waived by your Bank under Paragraph E of the Board's instructions (F.R.L.S. #6120) if a small penalty had not been waived under this provision less than two years ago, in 1964.

In the circumstances, the Board authorizes your Bank to waive the assessment of the penalty of \$9.21 for the period ended May 12, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 4
6/21/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 29, 1965.

Mr. Leland M. Ross, Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Ross:

This refers to your letter of May 27, 1965, enclosing a letter from The Northern Trust Company, Chicago, Illinois, requesting permission, pursuant to the provisions of section 24A of the Federal Reserve Act, for aggregate investments in bank premises exceeding the capital stock of the bank.

Prior to January 1, 1965, the bank followed the practice of writing off investments in bank premises by amounts sufficient to reduce the carrying value of such premises to an amount less than the bank's capital stock. That was accomplished either by a direct charge to or creation of a reserve from the undivided profits account.

The write-down of the asset, or the accumulated balance of the reserve that was deducted from the asset, represented an accelerated reduction of value. Because Regulation F, "Securities of Member State Banks", prescribes that all fixed assets acquired subsequent to December 31, 1959, shall be stated at cost less accumulated depreciation or amortization based upon the useful economic life of the property, the bank is restating its premises account to that basis. As a result, the net book value of bank premises will be in excess of the amount of the bank's capital stock account, and Board approval under section 24A has been requested.

The Board is of the opinion that, if submission to the Board for approval was not necessary under the accounting procedure formerly being followed, such approval is not now required because of the restatement of fixed assets in a manner consistent with this requirement by Regulation F. As the bank's investments in bank premises completed or begun prior to the change in accounting procedure would

Mr. Leland M. Ross

-2-

not have required the Board's prior approval under the method of accounting then in use, the Board's approval in this case is not necessary. With respect to any projects begun after the change in accounting, the necessity for Board approval will, of course, depend upon the status of the bank premises account as it then appears on the books of the bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
6/21/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1965



Mr. Edwin Hyde,
Federal Reserve Agent,
Federal Reserve Bank of Richmond,
Richmond, Virginia 23213.

Dear Mr. Hyde:

As requested in your letter of June 10, 1965, the Board of Governors approves the appointment of Mr. Robert A. Perry as an additional Federal Reserve Agent's Representative at the Baltimore Branch.

This approval is given with the understanding that Mr. Perry 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. Perry may, with the approval of the Federal Reserve Agent and the Vice President in charge of the Baltimore 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. Perry 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.

It is noted from your letter that with the approval of this appointment by the Board of Governors, Mr. Perry will execute the usual Oath of Office which will be forwarded to the Board of Governors and that his appointment will become effective at that time.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
6/21/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1965

CONFIDENTIAL (FR)

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

Dear Mr. Scanlon:

In accordance with the request contained in your letter of June 10, 1965, the Board of Governors approves the payment of salary by the Federal Reserve Bank of Chicago to the incumbent of the position Marble Maintenance Man at the rate of \$4.95 per hour for the time spent performing Marble Setter duties, effective retroactive to June 1, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

2108

Item No. 7
6/21/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1965

CONFIDENTIAL (FR)

Mr. Homer A. Scott, Chairman,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri 64106.

Dear Mr. Scott:

The Board of Governors approves the payment of salary to Mr. Maurice J. Swords as Assistant Chief Examiner, Federal Reserve Bank of Kansas City, at the rate of \$13,000 per annum, for the period July 1 through December 31, 1965. The rate approved is that fixed by your Board of Directors, as reported in your letter of June 2, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

2109
Item No. 8
6/21/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 21, 1965

CONFIDENTIAL (FR)

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

Dear Mr. Swan:

The Board of Governors approves the payment of salary to Mr. J. Howard Craven as a Vice President of the Federal Reserve Bank of San Francisco at the rate of \$25,000 per annum, for the period July 1 through December 31, 1965. The rate approved is that fixed by your Board of Directors as reported in your letter of June 4, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 9
6/21/65

S-1963

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 23, 1965.



Dear Sir:

As a result of the recent increase in the use of consultants by System research committees, question has been raised with the Board as to the adoption of uniform procedures for payment of fees to consultants and reimbursement for their travel expenses when incurred in connection with committee activities.

The Board has reviewed the matter and suggests the following procedure:

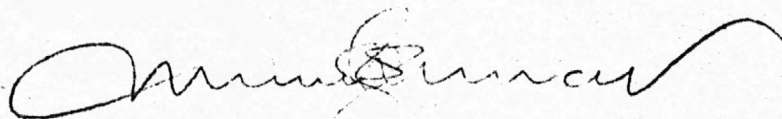
The costs of consultants who appear at System committee meetings held at a Reserve Bank should be borne by the Bank at which the meeting is held. The costs of consultants who advise or perform functions for committees, subcommittees, or working groups but who do not attend a meeting of such body should be borne by the Bank of the chairman of the group. If meetings are held at the Board, or if a member of the Board's staff serves as chairman of a working group, the costs of consultants would be borne by the Board.

The Board assumes that a decision to use a consultant for a committee activity would be made only after discussion with the chairman of the committee and through the appropriate person familiar with the general area of the consultant's work. For example, in the case of research committees and working groups the arrangement would be made through Mr. Guy E. Noyes, Chairman of the System Research Advisory Committee.

In order that fees for such consultants may bear some reasonable relationship to each other, the Board's Division of Personnel Administration will maintain a record of the fees paid, which record will be available to any Reserve Bank in setting an

appropriate rate for a consultant used by a committee. So that this record may be maintained on a current basis, it will be appreciated if you will advise the Board of the rate paid whenever a consultant is engaged for a committee use.

Very truly yours,



Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS.

2112

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 10
6/21/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1965



Mrs. Valerie R. Frank,
Secretary, Retirement System of the
Federal Reserve Banks,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mrs. Frank:

Referring to the Board's letter of May 31, 1963, incorporating into the Board Plan certain benefits for retirees, it is requested that the Retirement System bill the Board of Governors for the cost of continuing the supplementary benefits provided by Public Law 87-793 to June 30, 1966, for those retirees on the rolls as of June 30, 1965. It is understood that this cost will be in the neighborhood of \$27,000 for the period involved.

It is further requested that the Retirement System continue to bill the Board at the time of retirement for the individual cost of providing this supplemental benefit to those members of the Board's staff who retire between July 1, 1965, and June 30, 1966.

We are assured by Civil Service officials that appropriations for the fiscal year ending June 30, 1966, to continue these benefits for another fiscal year will be forthcoming, probably in the form of a concurrent Resolution of both Houses of Congress just prior to the end of this month. We will forward a copy of such Resolution or other enabling legislation for your records and confirmation of this action as soon as received.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

2113

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

Item No. 11
6/21/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1965



Mr. Edward A. Wayne,
President,
Federal Reserve Bank of Richmond,
Richmond, Virginia 23213

Dear Mr. Wayne:

Please refer to our letter of June 30, 1964, concerning the supplemental retirement benefit payable to Mrs. Irene H. Flagg, widow of Maurice P. Flagg, under Public Laws 87-793 and 88-25. The Board authorizes the Federal Reserve Bank of Richmond to pay the Retirement System of the Federal Reserve Banks \$72 to cover the cost of continuing this supplemental benefit through June 30, 1966.

The Civil Service Commission has requested the necessary funds from Congress to extend this supplemental benefit for another fiscal year. The Retirement Office has been requested to continue these payments to Board Plan retirees to June 30, 1966, and submit a bill to the Board covering the cost.

It is understood that the Retirement Office will bill the Federal Reserve Bank of Richmond in the near future for the cost of continuing the supplemental benefit to Mrs. Flagg.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

cc: Mrs. Valerie R. Frank,
Secretary, Retirement System
of the Federal Reserve Banks,
Federal Reserve Bank of New York,
New York, New York. 10045

2114

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

Item No. 12
6/21/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

June 18, 1965

Mr. Hugh D. Galusha, Jr., President,
Federal Reserve Bank of Minneapolis,
Minneapolis, Minnesota. 55440

Dear Mr. Galusha:

In accordance with the request contained in your letter of June 16, 1965, the Board approves the appointment of William V. Fischer, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Minneapolis, effective July 5, 1965.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

