

Minutes for July 30, 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

W

Gov. Robertson

Gov. Balderston

CB

Gov. Shepardson

SS

Gov. Mitchell

MM

Gov. Daane

DD

Gov. Maisel

DM

SM

Minutes of the Board of Governors of the Federal Reserve System
on Friday, July 30, 1965. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Balderston, Vice Chairman
Mr. Robertson
Mr. Shepardson
Mr. Mitchell
Mr. Maisel

Mr. Sherman, Secretary
Mr. Broida, Assistant Secretary
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Solomon, Director, Division of Examinations
Mr. Goodman, Assistant Director, Division of
Examinations
Mr. Spencer, General Assistant, Office of the
Secretary
Miss Eaton, General Assistant, Office of the
Secretary
Mr. Furth, Consultant

Messrs. Brill, Holland, Koch, Axilrod, Ettin, and
Gramley, and Mrs. Teeters of the Division of
Research and Statistics

Messrs. Hersey, Sammons, Baker, Dahl, and Gekker
of the Division of International Finance

Money market review. There had been distributed tables affording
perspective on the money market for the period March-July 28, 1965, and
on bank reserve utilization for the period July 1964-July 28, 1965.

Mrs. Teeters reported on recent developments in the Government
securities market, after which she commented on the probable economic
effect of certain recent legislation, mainly the reduction in excise
taxes and the program of medical care for the aged. Mr. Baker then dis-
cussed recent developments in the foreign exchange market.

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Following these reports, all members of the staff who had been present except Messrs. Sherman, Molony, Cardon, Fauver, Solomon, Goodman, Sammons, and Spencer withdrew from the meeting and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Harris, Coordinator of Defense Planning
 Mr. Hexter, Assistant General Counsel
 Mr. Sprecher, Assistant Director, Division of Personnel Administration
 Mr. Forrestal, Attorney, Legal Division
 Mr. Egertson, Supervisory Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Atlanta, Chicago, and San Francisco on July 29, 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:

| | <u>Item No.</u> |
|--|-----------------|
| Letter to Boston Overseas Financial Corporation, Boston, Massachusetts, regarding the question whether a proposed investment in Union Financiere de Paris, Paris, France, would require prior specific consent from the Board. | 1 |
| Letter to First National City Bank, New York, New York, granting permission to purchase additional stock of International Banking Corporation, New York, New York. | 2 |

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| | <u>Item No.</u> |
|--|-----------------|
| Letter to National City Bank of Baltimore, Baltimore, Maryland, granting its request for permission to maintain reduced reserves. | 3 |
| Order granting Whitney Holding Corporation, New Orleans, Louisiana, an extension of time within which to file a brief in connection with the Board's reconsideration of its application to become a bank holding company. | 4 |
| Letter to the Federal Deposit Insurance Corporation regarding additional information submitted on the proposed merger of The People's National Bank of Keyport, Keyport, New Jersey, into The Central Jersey Bank and Trust Company, Freehold, New Jersey. | 5 |
| Telegram to the Federal Reserve Bank of Kansas City approving provision for construction of a sub-basement level vault in the plans for the new Denver Branch building. | 6 |
| Letter to the Federal Reserve Bank of Cleveland approving the payment of salaries to Phillip B. Didham as Vice President and Oscar H. Beach as Assistant Cashier at rates fixed by the Bank's Board of Directors. | 7 |

With respect to Item No. 1, Mr. Goodman, responding to a question by Governor Mitchell, said that the appraised value of Boston Overseas' stock holdings showed depreciation of \$456,102, due primarily to a large investment in an Argentine subsidiary and the depreciation in the value of the Argentine peso. However, the subsidiary was operating profitably and paying substantial dividends. In classifying assets the book value of the stock was used, converted at the rate of exchange. While the

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U.S. dollar figure shown as depreciation was substantial, as a long-term investment there was every expectation that the stock holdings in the Argentine subsidiary would be profitable.

Messrs. Goodman, Forrestal, and Egertson then withdrew from the meeting.

Changes in bank supervision (Item No. 8). There had been distributed under date of July 29, 1965, a revised draft of letter to Chairman McClellan of the Permanent Subcommittee on Investigations of the Senate Committee on Government Operations in response to his letter of May 14, 1965, requesting certain information to assist the Subcommittee in preparing an interim report on its recent hearings on bank failures. Chairman McClellan had requested that he be advised of any changes in policies, administrative procedures, and regulations with respect to the supervision and examination of banks that had been initiated since the Subcommittee started its investigation in December 1964. He also requested suggestions and recommendations concerning legislation to enable the banking agencies to meet their responsibilities more effectively, efficiently, and economically. Determination of the reply to be made had been deferred at the meeting on June 16, 1965.

During a lengthy discussion a number of suggestions with regard to the wording and general tenor of the draft reply were proposed. Mr. Cardon described recent developments relating to proposed legislation dealing with excessive payments by banks for deposits, indicating that

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it was expected that such legislation would be presented to the House Banking and Currency Committee by the Federal Deposit Insurance Corporation within a few days. He also commented upon the status of certain legislative proposals that had been recommended by the Board.

At the conclusion of the discussion the letter to Chairman McClellan was approved unanimously, with the understanding that certain changes agreed upon would be made before transmittal. A copy of the letter, in the form sent, is attached as Item No. 8.

New Orleans Branch property. Mr. Farrell reported that First Vice President Patterson of the Federal Reserve Bank of Atlanta had telephoned yesterday advising of the auction sale of the old New Orleans Branch building property at a price of \$2,450,000.

Foreign assignments (Item No. 9). There had been circulated a memorandum dated July 21, 1965, from Mr. Young, Adviser to the Board and Director, Division of International Finance, recommending that the Board approve the undertaking of a three-month assignment with Da Afghanistan Bank, beginning about August 15, 1965, by Donald C. Niles, Assistant Vice President of the Federal Reserve Bank of New York. In accordance with the arrangements made in correspondence between Chairman Martin and Mr. Schweitzer, Managing Director of the International Monetary Fund, (see Board letters of February 12 and June 22, 1964) the Fund had requested the services of an expert from the Federal Reserve System to carry out a survey connected with a reform of the accounting

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system, general banking, and foreign exchange operations of Da Afghanistan Bank. Mr. Niles' name had been one of two selected from the list of Federal Reserve personnel that had been furnished the Fund by the Board showing persons who might be available for foreign assignments.

There followed a review of the handling of this request and of the general procedure observed in responding to requests for Federal Reserve assistance in staffing foreign missions. It appeared that in this particular case the Fund had followed the procedure outlined in Chairman Martin's letters to Mr. Schweitzer in 1964, that the request had been received at staff level at the Board and transmitted informally to the Federal Reserve Bank of New York to ascertain whether one of the individuals in whom the Fund was interested would be available, and that the New York Bank had approved the granting of leave to Mr. Niles without pay so that he might undertake the assignment. It was not known whether the Fund was aware of the New York Bank's action, but the consensus was that, if there had been direct communication between the Fund and New York Bank and if the arrangements had proceeded to a point where individuals might be embarrassed by a suggestion for an alternate assignment, it would be in order to indicate to New York that the Board approved Mr. Niles' assignment.

Secretary's Note: Subsequently the Secretary ascertained that Mr. Niles had visited the Fund's offices in Washington and that arrangements were proceeding for his departure on the

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mission. Accordingly, a letter to the Federal Reserve Bank of New York approving the assignment was transmitted on August 5, 1965, in the form of attached Item No. 9.

With reference to the general procedure for handling such requests, Governor Mitchell indicated that assignments on foreign missions were of considerable interest to him, and other members of the Board indicated a similar view. It was noted that in the past it had been customary for the Division of International Finance to make informal explorations at some of the Reserve Banks prior to bringing to the Board's attention requests for approval of such assignments. At the conclusion of the discussion, the Board approved a suggestion that a procedure be established under which, prior to communication with any of the Reserve Banks, requests for assignments of System personnel on foreign missions would first be brought to the attention of the Board in order that any suggestions that the Board might wish to make could be considered in advance of an approach to a Reserve Bank. This would apply not only to requests that might come from the Fund under the arrangements made between Chairman Martin and Mr. Schweitzer in 1964 but also to any other inquiries that might be received concerning System assistance in foreign missions.

The meeting then adjourned.

Secretary's Notes: At its meeting on June 17, 1965, the Board approved a program, as described in a memorandum from Mr. Sherman dated June 10, 1965, for withdrawal by the Federal Reserve System from the preparation of department store sales reports, with the understanding that any Reserve

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Bank that elected to do so would continue to collect and publish weekly and perhaps monthly sales data for local areas in its district. It had been understood that three Reserve Banks (Boston, Cleveland, and Dallas) would continue indefinitely to prepare weekly department store sales reports for cities in their districts; all other Federal Reserve retail sales reports would be discontinued after January 1966. Current information indicated no material variation from the earlier plans of the respective Reserve Banks. Accordingly, there was sent under date of July 29, 1965, over the signature of Chairman Martin, a letter to Mr. Carl N. Schmalz, President of the National Retail Merchants Association, advising of the details of the program and the notices to be given by the Reserve Banks to respondent stores and others. A copy of the letter, with enclosures, is attached as Item No. 10. A copy of a letter sent to the Federal Reserve Banks under date of August 4, 1965, is attached as Item No. 11.

A letter was sent to Bank of America National Trust and Savings Association, San Francisco, California, on July 30, 1965, granting an extension of time to establish a branch in Calcutta, India. A copy of the letter is attached as Item No. 12.

Governor Shepardson approved on behalf of the Board on July 29, 1965, the following items:

Memorandum dated July 29, 1965, from Mr. Schwartz, Director, Division of Data Processing, recommending that a letter (copy attached as Item No. 13) be sent to International Business Machines Corporation modifying the Board's letter of June 10, 1964, indicating its intent to contract for the installation of an IBM 360, model 50, electronic computer.

Memorandum dated July 28, 1965, from Mr. Hackley, General Counsel, recommending that Mrs. Pauline Heller be appointed in the Legal Division on the following basis: Effective August 5, Mrs. Heller would be appointed as a Consultant to work for the Board two days each week during the month of August 1965, at a fee of \$65 for each day worked. Effective September 1, she would be appointed on a regular basis as Senior Attorney with basic annual salary at the rate of \$17,030.

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

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Appointment

Linda Lu Ingram as Stenographer, Division of Personnel Administration, with basic annual salary at the rate of \$4,005, effective the date of entrance upon duty.

Salary increase

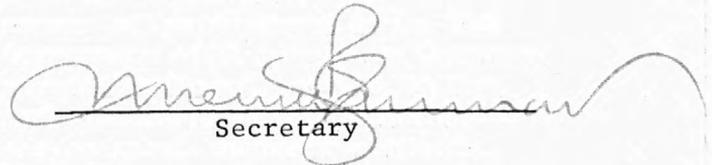
Janet Hart, Senior Attorney, Legal Division, from \$13,335 to \$14,170 per annum, effective August 1, 1965.

Acceptance of resignations

Bette S. Mahoney, Economist, Division of Research and Statistics, effective at the close of business July 27, 1965.

Herbert D. Miller, Jr., Summer Law Clerk, Legal Division, effective at the close of business August 6, 1965.

Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Administrative Services recommending the appointment of Napoleon H. Marrow as Messenger in that Division, with basic annual salary at the rate of \$3,385, effective the date of entrance upon duty.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 1
7/30/65

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 30, 1965.



Boston Overseas Financial
Corporation,
67 Milk Street,
Boston, Massachusetts. 02106

Gentlemen:

Reference is made to your letter of July 14, 1965, transmitted through the Federal Reserve Bank of Boston, requesting an advisory opinion as to whether a proposed investment in shares of Union Financiere de Paris ("UFP"), Paris, France, a limited partnership, at a cost of from US\$50,000 to US\$65,000 (equivalent) requires the prior specific consent of the Board of Governors.

In your letter you stated that (1) UFP has excellent promise of furnishing a reliable source of European funds for your Corporation and its affiliates and for American customers of your parent bank, The First National Bank of Boston; (2) the investment will give your Corporation and your parent bank the means of providing direct service to the bank's American customers on specific needs within France, including over-all corporate financing from European sources, customer contacts, and credit information; and (3) the principals of UFP are interested in increasing their investments in commercial financing throughout Europe and in acting as intermediaries in arranging financing of East-West trade, which could be a potential tie-in with your international factoring program developed through your investments in International Factors, Ltd., of London, and International Factors A.G., of Switzerland.

On the basis of the information furnished, it would appear that the activities of UFP would be "likely to further the development of United States foreign commerce" and that the proposed investment in shares of UFP could be made under clause (3) of Section 211.8(a).

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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Item No. 2
7/30/65

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 30, 1965

First National City Bank,
399 Park Avenue,
New York 22, New York.

Gentlemen:

In accordance with the request and on the basis of the information furnished in your letter of June 25, 1965, transmitted through the Federal Reserve Bank of New York, the Board of Governors grants permission to First National City Bank, pursuant to the provisions of Section 25 of the Federal Reserve Act, to increase from \$26,018,000 to \$30,018,000 the amount it may invest in the stock of International Banking Corporation, New York, New York.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

Item No. 3
7/30/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 30, 1965



Board of Directors,
National City Bank of Baltimore,
Baltimore, Maryland.

Gentlemen:

With reference to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors, acting under the provisions of Section 19 of the Federal Reserve Act, grants permission to the National City Bank of Baltimore to maintain the same reserves against deposits as are required to be maintained by nonreserve city banks, effective with the first biweekly reserve computation period beginning after the date of this letter.

Your attention is called to the fact that such permission is subject to revocation by the Board of Governors.

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 | : |
| WHITNEY HOLDING CORPORATION | : |
| for approval of its becoming a bank holding | : |
| company by acquiring the stock of Crescent | : |
| City National Bank, New Orleans, Louisiana, | : |
| and Whitney National Bank in Jefferson Parish, | : |
| Jefferson Parish, Louisiana. | : |

ORDER EXTENDING TIME FOR
SUBMISSION OF BRIEF

By Order dated July 23, 1965, the Board of Governors provided an opportunity for submission of briefs in connection with the Board's reconsideration of the application of Whitney Holding Corporation ("Applicant") for approval of its becoming a bank holding company, and further provided that Applicant's brief was to be submitted to the Board "not later than twenty days after the date" of said Order.

By letter to the Board dated July 28, 1965, Applicant has requested a ten-day extension of time within which its brief may be submitted, and it appears to the Board that good cause has been shown for granting the requested extension of time and that such extension would not be inconsistent with the public interest.

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It is therefore ordered that the Board's Order of July 23, 1965, be, and it hereby is, amended so that the provision quoted above shall read "not later than thirty days after the date" of said Order.

Dated at Washington, D. C., this 30th day of July, 1965.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

(SEAL)

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

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Item No. 5
7/30/65.

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 30, 1965.



Mr. Edward H. DeHority, Chief,
Division of Examination,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. DeHority:

Reference is made to your letter of July 21, 1965, which accompanied supplemental information pertaining to the proposed merger of The People's National Bank of Keyport, Keyport, New Jersey, into The Central Jersey Bank and Trust Company, Freehold, New Jersey.

The Board of Governors has considered this additional information. The Board does not feel that such information would change its conclusions expressed in its report on competitive factors previously forwarded to the Federal Deposit Insurance Corporation.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

TELEGRAM
LEASED WIRE SERVICE

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 6
7/30/65

July 30, 1965.

Clay-Kansas City

Reurlet July 19, 1965, Board of Governors
approves provision for construction of a sub-basement
level vault in Denver Branch building plans. It is
noted that vault would contain approximately 24,000
square feet of usable floor area and that estimated
cost is \$900,000.

(Signed) Merritt Sherman
Sherman

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

Item No. 7
7/30/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 30, 1965.

CONFIDENTIAL (FR)

Mr. W. Braddock Hickman, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Hickman:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Cleveland for the period of October 1 through December 31, 1965, at rates indicated, which are those fixed by your Board of Directors, as reported in your letter of July 15.

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|-------------------|-------------------|--------------------------|
| Phillip B. Didham | Vice President | \$18,000 |
| Oscar H. Beach | Assistant Cashier | 13,000 |

The Board has noted the other proposed changes in the official staff referred to in your letter. You will be advised at a later date regarding Board action on these proposals.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 8
7/30/65

OFFICE OF THE CHAIRMAN

August 3, 1965

The Honorable John L. McClellan,
Chairman,
Permanent Subcommittee on Investigations,
Committee on Government Operations,
United States Senate,
Washington, D. C. 20510.

Dear Mr. Chairman:

This refers to your letter of May 14, 1965, in which you asked for certain information to assist the Senate Permanent Subcommittee on Investigations in preparing an interim report on its recent hearings on bank failures.

Your letter asked that you be advised of "any changes in policies, administrative procedures and regulations with respect to the supervision and examination of banks which have been initiated since the Subcommittee started its investigation in December 1964 . . ." There are three such changes that affect the Board. First, there are the arrangements referred to in my letter of April 7 for interchange among the interested agencies of information concerning possible underworld infiltration of the banking system, and information concerning individuals who may have been engaged in financial wrongdoing against banks. Second, there are the arrangements for assuring that Reserve Banks are furnished with copies of supplemental confidential reports on examinations of national banks. Third, there is the Coordinating Committee on Bank Regulation, established at the suggestion of the Secretary of the Treasury, as announced by Secretary Fowler on July 6.

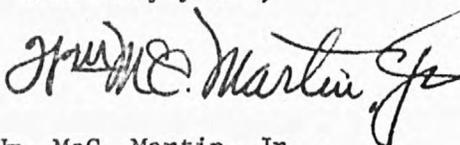
Your letter also asks for suggestions and recommendations concerning legislation to enable the banking agencies to meet their responsibilities more effectively, efficiently, and economically. While they may not be of direct interest to the Subcommittee, the Board has made several recommendations for legislation, summarized in its latest Annual Report at pages 200-208 (attached). Four of these proposals have been introduced by Senator Robertson as S. 1556, S. 1557, S. 1558, and S. 1559; the first three bills were favorably reported by the Senate Banking and Currency Committee yesterday. Another bill favorably reported at the same time (S. 1308) would promote economy of operations at the Reserve Banks and the Treasury by authorizing local destruction of Federal Reserve notes.

The Honorable John L. McClellan -2-

In addition, the Board believes that there would be merit in legislation authorizing the supervisory authorities to require outside audits of banks in appropriate cases such as where internal controls are inadequate or have broken down.

As the Subcommittee staff has been advised, this reply to your letter has been delayed while arrangements were completed for submission to the Congress of a legislative proposal of more direct interest to the Subcommittee. A proposal to deal with excessive payments by banks for deposit funds--a matter of serious concern to the Subcommittee, as shown in your recent hearings, and to the Board as well--has been worked out by the Federal Deposit Insurance Corporation in cooperation with the Board. I understand it is being submitted to the Congress today by the Corporation. The Board endorses the legislation, which would prohibit insured banks from paying commissions to money brokers or others as compensation for obtaining deposits, except in accordance with regulations prescribed by the Board (in the case of member banks) or the Corporation (in the case of nonmember insured banks). The Board believes that regulation of such payments is needed as a precautionary measure, to guard against the spread of practices that have led to unsound lending by some banks and against avoidance or evasion of the ceilings on interest that banks may pay on time and savings deposits. The legislation would also establish more practical and effective penalties to enforce both the existing statutory authority relating to payment of interest on deposits and the new authority to regulate commissions. It would subject any bank violating the statute or regulations to a penalty of up to 10 per cent of the amount of each deposit to which the violation relates.

Sincerely yours,



Wm. McC. Martin, Jr.

Attachment - Board's Annual Report for 1964

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

Item No. 9
7/30/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 5, 1965.

Mr. Thomas M. Timlen, Jr.,
Secretary and Assistant Counsel,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Tom:

This refers to your letter of July 16, 1965 informing the Board that your Bank had granted a leave of absence without pay to Donald C. Niles, Assistant Vice President, to permit him to serve for a period of about three months, plus travel time, beginning about August 15, 1965, as a consultant to the Da Afghanistan Bank regarding a reform of the accounting system, general banking, and foreign exchange operations of that Bank. A request for the services of such a representative from the Federal Reserve System had been submitted to the Board by the International Monetary Fund and had been transmitted informally to your Bank by Mr. Irvine of the Board's staff.

After considering the request of the Fund, and in view of your Bank's willingness to make him available, the Board has approved the assignment of Mr. Niles for the purpose indicated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 10
7/30/65

OFFICE OF THE CHAIRMAN

July 29, 1965.

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 the Federal Reserve Banks to respondent stores in their districts, with appropriate changes in letters from three of the Banks that will continue weekly reports. 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 their mailing lists for the present trade data.

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 reports covering January 1966, except in the case of three Federal Reserve Banks--Boston, Cleveland, and Dallas-- that plan to continue the collection of local weekly sales data from

Mr. Carl N. Schmalz

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department stores. The weekly reports issued by the Reserve Banks in all other Federal Reserve Districts will be terminated; the monthly reports of sales by departments and the monthly reports of total store sales in selected cities and areas will be discontinued by all Reserve Banks; and the weekly and monthly reports of the Board of Governors covering department store sales in individual cities and areas will be discontinued, as will the Board's monthly departmental sales summary for the United States as a whole. All of the Reserve Banks and the Board will, of course, complete the usual annual departmental summary reports covering the current year.

With reference to the monthly reports of the Federal Reserve Banks, arrangements have been made for the Bureau of the Census to continue, under contract with the Board of Governors of the Federal Reserve System, 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 department stores are prepared to furnish representative basic figures. The availability and timeliness of such information will depend upon the cooperation of the stores in submitting their reports to the Bureau. This arrangement 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 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.

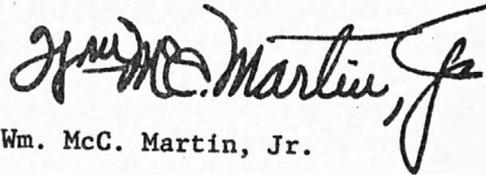
The Federal Reserve believes that considerable progress has been made during the past few years in laying the basis for improved information on retail trade and that further improvement may be looked for in the future. This has resulted from contributions by many persons over a period of years, including those who served on the Committee of Five established in the Spring of 1960. The representatives of the National Retail Merchants Association who served

Mr. Carl N. Schmalz

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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 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,

A handwritten signature in cursive script that reads "Wm. McC. Martin, Jr." with a long, sweeping flourish extending to the right.

Wm. McC. Martin, Jr.

Enclosures

August 3, 1965.

Letter to be sent by Reserve Banks to respondent department stores. To be dispatched after Chairman Martin's letter to President of N.R.M.A. dated July 29, 1965, and to be adapted to meet individual Reserve Bank situation as to continuation of weekly reports of total department store sales.

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

Dear :

In December 1963, (or January 1964) 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.

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.

Such an undertaking on the part of the Bureau of the Census is with the proviso that the department stores in any given locality furnish data to make the reports representative. The availability and timeliness of data for an individual city or area will depend upon the cooperation of the stores in submitting their reports to the Bureau.

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. |

(8/3/65)

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 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 all but three of the Reserve Banks (Boston, Cleveland, and Dallas), 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.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11
7/30/65



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 4, 1965.

Dear Sir:

Responses have now been received from all Reserve Banks to the Board's letter of June 30, 1965 regarding department store reports. The Boston, Cleveland, and Dallas Reserve Banks plan to continue their weekly reports of department store sales by cities and local areas, but all other reports of retail trade will be discontinued after completion of the summaries covering the month of January 1966 and the annual departmental summaries for the current year.

Chairman Martin has sent to Mr. Carl N. Schmalz, President of the National Retail Merchants Association, under date of July 29, 1965 a letter substantially in the form of the one transmitted to you on June 30. A copy of the letter to Mr. Schmalz is enclosed. You will note minor revisions in the attachments to that letter as a result of suggestions or comments received from the Reserve Banks in reply to the June 30 letter.

In accordance with the program outlined in the Board's letter of June 30, it would now be in order for you to send letters to respondent stores and notices to nonrespondents on the mailing list to receive your Bank's trade reports. The Board will be sending notices to those on its mailing lists within the next few days apprising them of the plans to discontinue reports after completion of those for January 1966.

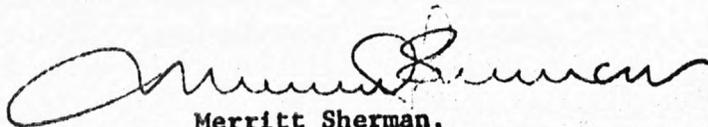
While not a part of the plans outlined in the Board's letter of June 30, question has been raised as to the program for discontinuance of retail credit collection programs. A separate letter regarding those plans is being sent to the head of Research at your Bank by Mr. Noyes stating that the Reserve Banks should

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plan to discontinue the credit collection programs as of the same January 1966 date contemplated for discontinuance of the department store and other retail sales reports.

One other point is called to your attention. The National Retail Merchants Association has wished to make certain that the usual summary data for sales by departments will be completed for the current year. The Association has been assured that all of the year's summary information that has been prepared at the Board or at the Reserve Banks in the past will be completed for the current year on the basis of the information supplied by the individual stores.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosure.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 12
7/30/65

WASHINGTON, D. C. 20551



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 30, 1965.

Mr. Roland Pierotti,
Executive Vice President,
Bank of America National Trust
and Savings Association,
San Francisco 20, California.

Dear Mr. Pierotti:

Reference is made to your letter of July 13, 1965, referring to the Board's letter of July 14, 1964, which acknowledged your letter of June 24, 1964, advising, pursuant to Regulation M, of your intention to establish a branch in the City of Calcutta, India. The Board's letter of July 14, 1964, stated that, unless the branch was actually established and opened for business on or before August 1, 1965, it would be deemed that plans for its establishment had been abandoned.

You state that your application to the Reserve Bank of India to establish the proposed branch, which was deferred by the Reserve Bank for one year, was resubmitted in May of this year; that the matter is now under consideration by the Reserve Bank of India; but that the proposed Calcutta branch will not be established and opened for business on or before August 1, 1965.

In accordance with your request, the date specified in the Board's letter of July 14, 1964, is extended to August 1, 1966.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



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

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Item No. 13
7/30/65

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 3, 1965.

International Business Machines Corporation,
1111 Connecticut Avenue, N. W.,
Washington, D. C. 20036

Attention Mr. A. R. Scichilone

Subject: Letter of intent on the IBM 360

Gentlemen:

The purpose of this letter is to modify our letter of intent dated June 10, 1964 for the IBM 360. The Board now plans to acquire the 1410 compatability feature (component number 4478; monthly rental \$650.00; purchase price \$26,650) at the same time as the equipment listed in the letter of June 10. We understand that delivery of the equipment with the 1410 compatability feature will not be possible until the second quarter of 1966 and we should appreciate receiving written advice as to the earliest date within that quarter that delivery will be possible. We understand that in any case delivery will be made prior to July 1, 1966.

It is understood that no obligation will be incurred by the Board as a result of this letter of intent.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.