Minutes for August 12, 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
Gov. Robertson
Gov. Balderston
Gov. Shepardson
Gov. Mitchell
Gov. Daane
Gov. Maisel
Minutes of the Board of Governors of the Federal Reserve System

on Thursday, August 12, 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. Daane 1/
Mr. Maisel

Mr. Kenyon, Assistant Secretary
Mr. Young, Adviser to the Board and Director, Division of International Finance
Mr. Noyes, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Hexter, Assistant General Counsel
Mr. O'Connell, Assistant General Counsel
Mr. Partee, Adviser, Division of Research and Statistics
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Langham, Assistant Director, Division of Data Processing
Mrs. Semia, Technical Assistant, Office of the Secretary

Reports of examination of Bank of Dublin (Item No. 1). There had been distributed a memorandum dated August 10, 1965, in which the Division of Examinations commented on a request by First Virginia Corporation, a registered bank holding company, for copies of certain examination reports of Bank of Dublin, Dublin, Virginia. The Dublin bank had recently been merged with The Peoples Bank of Radford, Radford, Virginia, a subsidiary of First Virginia Corporation. Attached to the

1/ Entered meeting at point indicated in minutes.
8/12/65

memorandum was a draft of letter to the Federal Reserve Bank of Richmond reflecting the recommendation of the Division that the Board comply with the request.

The letter was approved unanimously. A copy is attached as Item No. 1.

Request for bank data for research. There had been distributed a memorandum dated August 11, 1965, from Messrs. Partee and Langham regarding a request by Bryan A. Bailey, a Ph. D. candidate at Brown University, for access to condition and earnings data reported by individual banks. The information was requested for purposes of his doctoral dissertation, which would explore the effects of issuance of negotiable certificates of deposit on the composition of a bank's assets, liabilities, liquidity position, and relative profitability. Mr. Bailey's original request last October had been based on a proposal that would have required so much data preparation, programming effort, and computer time that it was not felt by the staff that a recommendation for support of the project could be justified. However, the proposal had now been modified substantially. While, for reasons that were explained, it was not believed that the present proposal would be of sufficient interest to the Board's staff to warrant devoting a large amount of resources to insure its completion, it was recommended that the proposal, as modified, be supported. It was expected that little data preparation would be necessary at the Board's offices and that the computer time required to produce punched cards for further use at Brown University would be approximately ten hours.
Governor Robertson remarked that although he would accept the recommendation of the staff, only a weak case appeared to have been made for compliance with the request as far as benefit the Board might derive from the project was concerned.

Mr. Langham replied that admittedly there was not a strong case for complying with the request. However, in view of the Board's general practice of complying with reasonable requests by scholars for data from the computer where this would not interfere with the Board's work, together with the fact that Mr. Bailey had scaled down his plans so that the work involved would not be unduly burdensome, the staff had decided on a favorable recommendation. The computer time would represent a cost of about $450, in addition to which a quantity of cards would have to be punched.

Governor Shepardson stated that he had somewhat the same reservations as Governor Robertson. In view of the present strain on the Board's facilities attributable to work that would contribute directly and significantly to the discharge of System responsibilities, it seemed rather difficult to justify giving aid to a project that the staff evidently believed to contain little prospect of making a substantial contribution.

Governor Daane entered the meeting at this point.

Governor Maisel suggested that consideration might be given to establishing a fund in the budget to cover the expense of rendering
If assistance was requested on a project that did not seem sufficiently promising to justify an expenditure from the fund, the originator of the project could still be told, where appropriate, that he could receive assistance if he would pay the cost of services rendered. Certain other agencies of the Government were understood to follow such a plan. He believed two questions were involved, which should be considered separately: first, whether information for research purposes should be made available, and second, who should stand the cost.

In further discussion of the Bailey request, Mr. Brill pointed out that the data involved were available only at the Board and that they fell in an area that was becoming of more and more interest to economists concerned with monetary matters.

Governor Daane expressed the view that the data should be made available in this instance. It seemed to him that each request for project assistance must be considered on its merits, having regard for magnitude, cost, and probable benefits to the System. In the present case only a moderate cost was involved, and he would be inclined to go along with the staff recommendation.

Governor Mitchell inquired whether, if the project were competently handled, the Board's staff might not benefit a little more from the results than had been indicated.

Mr. Partee responded by clarifying why the staff had reservations about the significance of the results that might be obtained, both
because of the scheme of the project and some doubt as to the quality of Mr. Bailey's analysis. Mr. Brill added that at least two projects in the same general area were being conducted by groups in the System.

Governor Maisel asked whether, in those circumstances, Mr. Bailey should not be asked to pay the cost of producing the data, in response to which Governor Balderston observed that the providing of services on a reimbursable basis sometimes led to complications.

After further discussion Governor Robertson stated that he would approve the present proposal. He hoped, however, that a general procedure might be devised for dealing with future requests.

Governor Shepardson said that although he would not oppose granting the present request, he believed the over-all question of dealing with research requests should be explored on the basis of the underlying principles involved.

Governor Mitchell stated that he would not approve granting the present request.

Governors Daane and Maisel indicated that they would approve, the latter adding that he felt it would be desirable to establish a standard procedure for handling such matters.

The recommendation for compliance with the Bailey request was therefore approved, Governor Mitchell dissenting.

All members of the staff then withdrew except Messrs. Kenyon, Solomon, Hexter, and Leavitt, and Mrs. Semia.
Data on audit systems of State member banks. Mr. Solomon reported for the Board's information that data were being prepared for the Federal Deposit Insurance Corporation regarding whether State member banks currently on the "problem" list had audit programs, either internal or external. The information was to be combined with similar data for insured nonmember banks and for national banks in replying to a request directed to the Corporation by the House Committee on Banking and Currency. The banks involved would not be identified by name.

No objection was expressed to furnishing the information to the Corporation.

Messrs. Solomon and Leavitt and Mrs. Semia then withdrew.

Charge of discriminatory practices. Reference was made by Governor Balderston to a letter dated July 30, 1965, and received in the Board's offices August 11, 1965, from a lawyer for the Congress of Racial Equality (CORE) setting forth, on behalf of CORE and the National Association for the Advancement of Colored People (NAACP), certain allegations of discriminatory employment practices on the part of the Federal Reserve Bank of New York.

After preliminary discussion of the matter it was agreed that it would be desirable to obtain all available background information from the New York Reserve Bank and from the Board's Division of Personnel Administration, following which the Board would consider what reply
should be made to the incoming letter. (Note: At a subsequent meeting of the Board it was agreed that an interim acknowledgment should be made to the letter, and such an acknowledgment was sent on August 17, 1965.)

The meeting then adjourned.

Secretary's Notes: On August 10, 1965, Governor Shepardson approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Boston (attached Item No. 2) approving the appointment of Kenneth H. Kulesza as assistant examiner.

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 3) approving the designation of Robert Lord as special assistant examiner.

Letter to the Federal Reserve Bank of Richmond (attached Item No. 4) approving the appointment of James W. Page as assistant examiner.

On August 11, 1965, Governor Shepardson approved on behalf of the Board the following items:

Memorandum from the Division of Personnel Administration dated August 5, 1965, recommending a revision of the schedule approved by the Board in 1957 designating the order in which the various divisions of the staff would have responsibility for planning and coordinating the Board's annual Christmas program.

Memorandum from Raymond L. M. Holmes, Digital Computer Programmer, Division of Research and Statistics, requesting permission to work for a local grocery store on a part-time basis.

Governor Shepardson today approved on behalf of the Board a letter to the Federal Reserve Bank of Richmond (attached Item No. 5) approving the designation of Everett M. Samford as special assistant examiner.

[Signature]
Assistant Secretary
August 12, 1965.

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

Dear Mr. Nosker:

This refers to your telephone conversation of August 6, 1965, in which you stated that First Virginia Corporation, Richmond, Virginia, a registered bank holding company, desires copies of the January 25, 1965, and May 3, 1965, Federal Reserve reports of examination of the Bank of Dublin, Dublin, Virginia. The Board of Governors of the Federal Reserve System has approved making copies of these reports of examination available to the holding company.

Furnishing copies of reports of examination of this bank to First Virginia Corporation is approved pursuant to paragraph 8, section 9, of the Federal Reserve Act and applicable provisions of the Board’s Rules of Organization. The First Virginia Corporation should be informed that information obtained from examination reports of the aforementioned bank is subject to the same restrictions and conditions as to recall, use, disclosure, or publication as those which govern the copies of reports furnished to State member banks pursuant to form FR 410-45-Receipt.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.
Mr. Luther M. Hoyle, Jr., Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Hoyle:

In accordance with the request contained in Mr. Aubrey's letter of August 5, 1965, the Board approves the appointment of Kenneth H. Kulesza as an assistant examiner for the Federal Reserve Bank of Boston. Please advise the effective date of the appointment.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
Mr. Harry W. Huning, Vice President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio. 44101

Dear Mr. Huning:

In accordance with the request contained in your letter of August 5, 1965, the Board approves the designation of Robert Lord as a special assistant examiner for the Federal Reserve Bank of Cleveland.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
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 August 5, 1965, the Board approves the appointment of James W. Page as an assistant examiner for the Federal Reserve Bank of Richmond, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.
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 August 10, 1965, the Board approves the designation of Everett M. Samford as a special assistant examiner for the Federal Reserve Bank of Richmond.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.