

Minutes for November 5, 1965


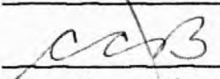
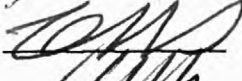

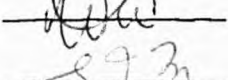

To: Members of the Board

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	<u></u>
Gov. Robertson	<u>_____</u>
Gov. Balderston	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Friday, November 5, 1965. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Young, Senior Adviser to the Board and
Director, Division of International Finance
Mr. Holland, Adviser to the Board
Mr. Solomon, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Goodman, Assistant Director, Division
of Examinations
Mr. Spencer, Staff Assistant, Office of the
Secretary
Miss Eaton, General Assistant, Office of the
Secretary
Mr. Morgan, Staff Assistant, Board Members' Offices
Mr. Furth, Consultant

Messrs. Partee, Axilrod, Bernard, Eckert, and Keir
of the Division of Research and Statistics

Messrs. Sammons, Irvine, Reynolds, Baker, and
Gemmill of the Division of International
Finance

Money market review. Mr. Bernard presented a review of developments in the Government securities market, following which Mr. Baker summarized foreign exchange market developments. For purposes of today's review, there were distributed tables affording perspective on the money and capital markets and on bank reserve utilization, and a table on subscriptions in Treasury cash financings.

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All members of the staff except Messrs. Sherman, Kenyon, Young, Solomon, Molony, Fauver, Sammons, Irvine, Goodman, and Spencer then withdrew and the following entered the room:

Mr. Farrell, Director, Division of Bank Operations
 Mr. O'Connell, 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. Collier, Assistant to the Director, Division of Bank
 Operations

Discount rates. The establishment without change by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on November 4, 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 Northeastern Banking Company, Commerce, Georgia, approving an investment in bank premises.	1
Letter to the Federal Reserve Bank of St. Louis approving the payment of salary to Edgar H. Crist as Assistant Chief Examiner at the rate fixed by the Bank's Board of Directors.	2

Gold loan (Item No. 3). There had been distributed a memorandum from Mr. Young dated November 4, 1965, relating to a proposed gold collateral loan to the Central Bank of the Philippines. This loan had been

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authorized by the Board of Directors of the Federal Reserve Bank of New York subject to approval by the Board of Governors.

The Central Bank of the Philippines had requested a loan of \$20 million. As authorized by the New York Bank, such loan or loans (1) would be made up to 98 per cent of the value of gold bars set aside in the vaults of the San Francisco Reserve Bank, as agent of the New York Bank, under pledge to the latter; (2) would mature in three months with option to repay at any time before maturity, advances and repayments to be made in multiples of \$1 million; (3) would bear interest at the discount rate of the New York Bank in effect on the date on which such loan or loans were made; and (4) could be requested and made at any time beginning with the date of the Central Bank of the Philippines' acceptance of the New York Bank's terms and conditions but not later than January 15, 1966. The usual participation in any such loan or loans would be offered to the other Federal Reserve Banks.

In connection with the gold loan request, Mr. Irvine reported a series of consultations that had taken place between the Treasury Department, the Federal Reserve Bank of New York, and the Board's staff. First, the State Department had indicated that it would have no objection to the proposed loan. Then, however, the Treasury advised that it now had in effect a policy of trying to have various loan disbursements delayed until after the beginning of 1966, the reason apparently being that this would help to put the balance of payments figures for the fourth quarter

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in a more favorable light. Accordingly, the Treasury requested the New York Reserve Bank to reconsider the loan request from the Philippines. During the review that subsequently took place, it was determined that there was some urgency as to the need for the loan, primarily because of an anticipated change in the Philippine exchange rate next week. In light of this information, the Board of Directors of the New York Reserve Bank had authorized the loan. Subsequently, the Treasury Department proposed that a special arrangement be made for its repayment before the end of the year, with a new loan to be extended, if necessary, after the beginning of 1966. However, it was the view of the New York Bank and the Board's staff that the loan request was a reasonable one and that the loan should be presented to the Board of Governors for approval on the terms authorized by the directors of the Reserve Bank.

Following a discussion based on the information presented by Mr. Irvine, during which Governor Balderston summarized a telephone conversation he had had with officers of the New York Bank, unanimous approval was given to a telegram to the Reserve Bank stating that the Board approved the making of the requested loan. A copy of the telegram is attached as Item No. 3.

In the course of the foregoing discussion Governor Mitchell suggested the possibility of repurchase agreements as an alternative to gold collateral loans, and Mr. Young indicated that the staff would reconsider various aspects of the gold loan technique.

Messrs. Young, Sammons, Irvine, and Goodman then withdrew from the meeting.

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Denver Branch building program (Item No. 4). There had been circulated a memorandum from the Division of Bank Operations dated October 26, 1965, regarding a letter of October 7, 1965, from the Federal Reserve Bank of Kansas City transmitting preliminary plans and outline specifications for the proposed new building for the Denver Branch.

The memorandum recommended that the Reserve Bank be authorized to proceed with the development of detailed plans and specifications along the lines of the preliminary plans, as they might be amended in light of certain suggestions made by the Board's Consulting Architect and the Division of Bank Operations. A draft of letter to the Kansas City Bank was attached.

In a discussion of the building plans and certain architectural features of the proposed building, which discussion extended to the architectural features of Reserve Bank branch buildings generally, question was raised whether the Kansas City Bank had considered the sufficiency of security measures to protect the first floor level of the Denver building against the possibility of riot or other civil commotion.

Governor Robertson suggested, in this connection, and the other members of the Board agreed, that the Kansas City Bank should be asked, in proceeding with its plans, to determine whether sufficient consideration had been given to the adequacy of security measures.

Accordingly, a letter to the Bank was approved unanimously in the form attached as Item No. 4.

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Messrs. Daniels and Collier then withdrew from the meeting.

Retention of outside counsel by San Francisco Bank (Item No. 5).

Mr. O'Connell reported that a telegram had been received from the Federal Reserve Bank of San Francisco requesting authorization to employ outside counsel to represent the Bank and its officers in litigation between the Federal Deposit Insurance Corporation and A. M. R., Inc., et al. (litigation involving the San Francisco National Bank) and with respect to any litigation or proceedings that might be instituted against the Bank by some or all of the parties involved in the case. The telegram stated that the executive committee of the Board of Directors had approved the employment of outside counsel subject to the approval of the Board of Governors, and that it was probable that such counsel's fee would be in excess of \$2,500. (The Board's basic instructions regarding the employment of outside counsel were that a Reserve Bank should not, when retaining outside counsel, agree to pay a fee in excess of \$2,500 without the prior approval of the Board.)

After comments by Mr. O'Connell on the circumstances involved and a report by Governor Robertson on conversations he had had with President Swan regarding the matter, the sending of a telegram to the Federal Reserve Bank of San Francisco in the form attached as Item No. 5 was approved unanimously.

Payroll plan of Cleveland Bank. Mr. Sherman reported having received advice from the Federal Reserve Bank of Cleveland that a staff

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representative of the House Banking and Currency Committee had visited that Bank yesterday, indicating that the Chairman of the Committee had received protests regarding a new payroll procedure that the Bank planned to put into effect in the near future, reportedly at a substantial saving of cost. Officers of the Reserve Bank had extended the usual courtesies to the Committee's representative and, at his request, had shown him expense vouchers dating from the first of the year, in which vouchers he had professed an interest from the standpoint of cost elements involved in the payroll plan.

Mr. Sherman indicated that, as he understood the plan, the total payroll of the Bank on each pay date would be deposited in a single commercial bank and all officers and employees would then obtain their pay by (1) withdrawal in cash from the bank; (2) transfer from that bank to the bank of their choice; or (3) use of an account with the bank in which the deposit was made by the Reserve Bank.

During discussion, members of the Board expressed the view that the payroll procedure contemplated by the Reserve Bank should be given further consideration by the Bank. For one thing, it was possible that such a procedure might create the impression of favoritism toward one commercial bank, to the disadvantage of the Reserve Bank and the Federal Reserve System from a public relations standpoint. Second, from the point of view of the Bank's employees, it would seem desirable that they have the option of having their salary deposited in a bank of their choice.

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For those who did not wish to have their salary deposited for them, the alternative of direct payment by check was suggested.

It was understood that the Reserve Bank would be advised informally of the Board members' reaction to the proposed payroll procedure.

During the discussion, question also was raised by Board members as to the manner of payroll disbursement at the Board's offices, in which connection the staff was requested to prepare a memorandum on the procedure now followed, with recommendations as to any change that might be desirable, particularly the depositing of salary payable to employees in banks of their choice.

A suggestion was made that at the appropriate time a letter might be sent to all Federal Reserve Banks expressing such views as the Board might think advisable on general principles that should be observed in connection with payroll distribution.

The meeting then adjourned.

Secretary's Notes: Acting in the absence of Governor Shepardson, Governor Robertson today approved on behalf of the Board memorandum recommending the following actions relating to the Board's staff:

Salary increases, effective November 7, 1965

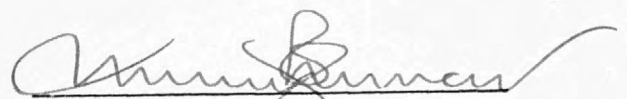
<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Priscilla E. Wurtzel, Records Clerk		\$4,641	\$4,797

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Salary increases, effective November 7, 1965 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Legal Division</u>			
Carmen H. Feliciano, Secretary		\$ 5,181	\$ 5,352
Bruce D. Shuter, Attorney		7,479	7,733
<u>Research and Statistics</u>			
Gerald F. Millea, Chief, Division Administration		13,815	14,250
<u>International Finance</u>			
Bette L. Robinson, Statistical Assistant		5,352	5,523
<u>Bank Operations</u>			
Margaret C. Griset, General Assistant		7,511	7,718
<u>Examinations</u>			
Carol Ann Slocombe, Assistant Supervisor, Recording and Stenographic Section		5,694	6,086
<u>Personnel Administration</u>			
Charles W. Wood, Personnel Assistant		10,987	11,355
<u>Administrative Services</u>			
Raymond R. Sine, Guard		4,289	4,429

Governor Balderston today approved on behalf of the Board the recommendation in a memorandum from the Division of International Finance dated November 5, 1965, that Yves Maroni, Senior Economist in that Division, be authorized to remain in Central America until November 24, 1965, to complete his study of consumer credit that had been undertaken at the request of the Central American Monetary Council.


Secretary

3579
Item No. 1
11/5/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1965

Board of Directors,
Northeastern Banking Company,
Commerce, Georgia.

Gentlemen:

Pursuant to the provisions of Section 24A of the Federal Reserve Act, the Board of Governors of the Federal Reserve System approves an investment in bank premises of not to exceed \$10,000 by Northeastern Banking Company, Commerce, Georgia, to be used in connection with the remodeling of banking quarters. This amount is in addition to the \$122,000 previously approved by the Board, which included \$42,000 already spent for land and a building, and \$80,000 to be used for the remodeling of the newly acquired building.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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Item No. 2
11/5/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1965.

AIR MAIL

CONFIDENTIAL (FR)

Mr. Harry A. Shuford, President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166

Dear Mr. Shuford:

The Board of Governors approves the payment of salary to Mr. Edgar H. Crist as Assistant Chief Examiner, Federal Reserve Bank of St. Louis, at the rate of \$15,000 per annum, for the period November 16 through December 31, 1965. This is the rate fixed by the Board of Directors as reported in your letter of October 28.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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Item No. 3
11/5/65

T E L E G R A M
LEASED WIRE SERVICE

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

November 5, 1965.

MAC LAURY - NEW YORK

BOARD APPROVES GRANTING LOAN OR LOANS ON GOLD UP TO A
TOTAL OF \$20 MILLION BY THE FEDERAL RESERVE BANK OF NEW YORK TO
THE CENTRAL BANK OF THE PHILIPPINES ON THE TERMS DESCRIBED IN YOUR
WIRE OF NOVEMBER 4.

(Signed) Merritt Sherman

SHERMAN

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Item No. 4
11/5/65

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

November 5, 1965.

Mr. George H. Clay, President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64106

Dear Mr. Clay:

This refers to your letter of October 7, 1965, in which authorization was requested to proceed with the preparation of detailed plans and specifications for the proposed new building for the Denver Branch.

The Board authorizes your Bank to proceed with the preparation of detailed plans and specifications for the proposed Denver Branch building in accordance with the preliminary plans and specifications, submitted with your letter, as they may be amended in consideration of suggestions made by Mr. Witherell, the Board's Consulting Architect, and the Division of Bank Operations. It is suggested, also, that the design be reviewed to assure that adequate consideration has been given to security at the first floor level against riot or civil commotion.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", written in dark ink.

Merritt Sherman,
Secretary.

TELEGRAM
LEASED WIRE SERVICEBOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

November 5, 1965.

Swan - San Francisco

Reurtel November 4 requesting Board authorization to retain outside counsel to represent your Bank and its officials in respect to pending case of FDIC v. A.M.R., Inc., et al, and in respect to any litigation or proceedings that may be instituted against your Bank by some or all of the parties involved in the above case. Board authorizes employment of counsel of your choice for the purposes specified, it being understood that Board will be advised in advance of proposed terms of employment including fee basis.

(Signed) Merritt Sherman

Sherman