

Minutes for January 10, 1966

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

M

Gov. Robertson

R

Gov. Balderston

ccrb

Gov. Shepardson

SSO

Gov. Mitchell

MM

Gov. Daane

Daane

Gov. Maisel

GJM

Minutes of the Board of Governors of the Federal Reserve System on Monday, January 10, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Broida, 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. Fauver, Assistant to the Board
Mr. Goodman, Assistant Director, Division
of Examinations
Miss Eaton, General Assistant, Office of the
Secretary
Mr. Morgan, Staff Assistant, Board Members'
Offices
Mr. Furth, Consultant

Messrs. Koch, Partee, Garfield, Williams, Axilrod,
Sigel, Smith, Eckert, Ettin, Gehman, Keir,
Osborne, Trueblood, and Wernick of the Division
of Research and Statistics

Messrs. Sammons, Hersey, Irvine, Katz, Reynolds,
Wood, Dahl, Emery, Gekker, Gemmill, Hayes,
Maroni, and Mills of the Division of Inter-
national Finance

Economic review. The Division of International Finance reported on international financial conditions, following which the Division of Research and Statistics presented information relating to the domestic

1/10/66

-2-

economy. The comments were based to a substantial extent on material prepared and distributed by the staff for purposes of tomorrow's meeting of the Federal Open Market Committee. Copies of the relevant documents have been placed in the Committee's files.

All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Holland, Solomon, Koch, Partee, and Eckert and Miss Eaton and the following entered the room:

Mr. Hackley, General Counsel
 Mr. Solomon, Director, Division of Examinations
 Mr. Johnson, Director, Division of Personnel Administration
 Mr. Hexter, Associate General Counsel
 Mr. Hooff, Assistant General Counsel
 Mr. Daniels, Assistant Director, Division of Bank Operations
 Mr. Leavitt, Assistant Director, Division of Examinations
 Mr. Sanders, Senior Attorney, Legal Division

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 Old Kent Bank and Trust Company, Grand Rapids, Michigan, approving the establishment of a branch at Eastern Avenue, S.E., and Brookville Plaza, S.E.	1
Letter to Farmers and Merchants State Bank, Colby, Kansas, approving the establishment of a branch in the 200 block of East 4th Street.	2
Letter to Citizens State Bank, Columbia City, Indiana, approving an investment in bank premises.	3
Letter to The Hicksville Bank, Hicksville, Ohio, regarding withdrawal from membership in the Federal Reserve System.	4

1/10/66

-3-

	<u>Item No.</u>
Letter to State and Savings Bank, Monticello, Indiana, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	5
Letter to Glasford State Bank, Glasford, Illinois, waiving the requirement of six months' notice of withdrawal from membership in the Federal Reserve System.	6

Regulation Q problems. As a basis for the discussion to be held with the Reserve Bank Presidents tomorrow pursuant to the understanding at the Board meeting on January 4, 1966, there had been distributed a memorandum from Mr. Solomon (Adviser to the Board) dated January 7 outlining problems that had arisen in relation to last month's action increasing the maximum rate of interest payable by member banks on time deposits. There had also been distributed a memorandum from Mr. Hackley dated January 6 regarding possible amendments to Regulation Q, Payment of Interest of Deposits, these amendments having been prepared in the light of recent Board discussions relating to the definition of time deposits. At this meeting there was also distributed a memorandum from Mr. Hackley dated January 10 reflecting a suggestion by Governor Maisel for an alternative amendment to Regulation Q in respect to payment of time deposits before maturity.

There was agreement that copies of these memoranda should be sent to the Presidents preparatory to the discussion with them tomorrow.

1/10/66

-4-

With respect to the proposal to define promissory notes of banks as deposits, there had been sent to the Presidents under confidential cover on December 23, 1965, a notice of proposed rule making, this having been done pursuant to the understanding at the Board meeting on December 22.

In light of questions concerning the impact on various types of money market transactions that might be occasioned by the publication of such a proposal, as discussed recently by the Board, there had now been distributed an analytical memorandum from Mr. Holland dated January 7, 1966, which among other things suggested alternative regulatory actions in this area that might be considered.

After a general discussion of reasons for and against early publication of a notice of proposed rule making on promissory notes and reasons for and against publication of such notice in the form contemplated by the Board earlier or in a form reflecting some modification of that proposal, it was understood that the promissory note matter would be discussed tomorrow with the Presidents and with the Manager of the System Open Market Account. It was agreed, therefore, that copies of Mr. Holland's memorandum would be sent to the Presidents preparatory to the meeting with them, along with copies of a letter from the New York Reserve Bank dated December 31, 1965, expressing views on the notice of proposed rule making in the form in which it had been distributed to the Reserve Banks on December 23, 1965.

1/10/66

-5-

All members of the staff except Messrs. Sherman, Kenyon, and Johnson then withdrew from the meeting, and there ensued a discussion of certain personnel matters at the Federal Reserve Bank of Cleveland. It was agreed that as a next step in the consideration of those matters the Board would meet with President Hickman tomorrow.

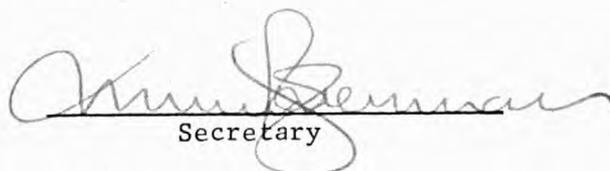
Savings bond luncheon. The Board authorized payment of the cost of a savings bond luncheon to be held at the Federal Reserve Building on Wednesday, February 9, 1966, as requested by the Savings Bonds Division of the Treasury Department.

The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Minneapolis (attached Item No. 7) approving the appointment of Ronald Richard Carroll as assistant examiner.

Letter to the Federal Reserve Bank of San Francisco (attached Item No. 8) approving the appointment of Harold LeRoy Davis as assistant examiner.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
1/10/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1966



Board of Directors,
Old Kent Bank and Trust Company,
Grand Rapids, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Old Kent Bank and Trust Company, Grand Rapids, Michigan, of a branch at the intersection of Eastern Avenue, S. E., and Brookville Plaza, S. E., Grand Rapids, Michigan, provided the branch is established within one year from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

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

Item No. 2
1/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1966

Board of Directors,
Farmers and Merchants State Bank,
Colby, Kansas.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Farmers and Merchants State Bank, Colby, Kansas, of a branch in the 200 block on East 4th Street, Colby, Kansas, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

(The letter to the Reserve Bank stated that the Board also had approved a six-month extension of the period allowed to establish the branch; and that if an extension should be requested, the procedure prescribed in the Board's letter of November 9, 1962 (S-1846), should be followed.)

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 3
1/10/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1966

Board of Directors,
Citizens State Bank,
Columbia City, Indiana.

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 \$341,250 by Citizens State Bank, Columbia City, Indiana, for the purpose of constructing a new main office building. The above amount allows for a maximum investment 5 per cent greater than the architect's estimate (\$325,000).

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.



Item No. 4
1/10/66

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

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1966.



Board of Directors,
The Hicksville Bank,
Hicksville, Ohio.

Gentlemen:

The Federal Reserve Bank of Cleveland has forwarded to the Board of Governors a letter signed by Mr. B. L. Whonsetler, Executive Vice President and Cashier, dated December 8, 1965, together with the accompanying resolution, signifying your intention to withdraw from membership in the Federal Reserve System.

Upon surrender to the Federal Reserve Bank of Cleveland of the Federal Reserve Bank stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon. Under the provisions of law and Section 208.10(c) of the Board's Regulation H, your institution may terminate its membership six months after notice of intention to withdraw was filed with the System. Such termination must be effected not more than two months after expiration of the six-month period.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Cleveland.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
1/10/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1966



Board of Directors,
State and Savings Bank,
Monticello, Indiana.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors a letter dated December 22, 1965, signed by President Neining, together with the accompanying resolutions dated October 11, 1965, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be cancelled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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. 6
1/10/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 10, 1966



Board of Directors,
Glasford State Bank,
Glasford, Illinois.

Gentlemen:

The Federal Reserve Bank of Chicago has forwarded to the Board of Governors a letter dated December 27, 1965, signed by President B. F. Backlund, together with the accompanying resolutions dated December 9, 1965, signifying your intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal.

The Board of Governors waives the requirement of six months' notice of withdrawal. Under the provisions of Section 208.10(c) of the Board's Regulation H, your institution may accomplish termination of its membership at any time within eight months from the date that notice of intention to withdraw from membership was given. Upon surrender to the Federal Reserve Bank of Chicago of the Federal Reserve stock issued to your institution, such stock will be canceled and appropriate refund will be made thereon.

It is requested that the certificate of membership be returned to the Federal Reserve Bank of Chicago.

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. 7
1/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1966

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 January 4, 1966, the Board approves the appointment of Ronald Richard Carroll as an assistant examiner for the Federal Reserve Bank of Minneapolis, effective January 17, 1966.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20531

Item No. 8
1/10/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

January 11, 1966

Mr. E. H. Galvin, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Galvin:

In accordance with the request contained in your letter of January 4, 1966, the Board approves the appointment of Harold LeRoy Davis as an assistant examiner for the Federal Reserve Bank of San Francisco, effective today.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.