

Minutes for March 11, 1966

To: Members of the Board

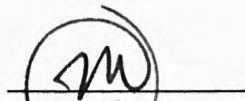
From: Office of the Secretary

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

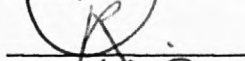
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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



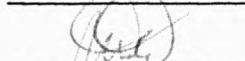
Gov. Robertson



Gov. Shepardson



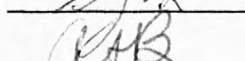
Gov. Mitchell



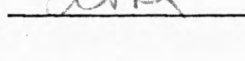
Gov. Daane



Gov. Maisel



Gov. Brimmer



Minutes of the Board of Governors of the Federal Reserve System on Friday, March 11, 1966. The Board met in the Board Room at 10:00 a.m.

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

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. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Solomon, Director, Division of Examinations
Mr. Morgan, Staff Assistant, Board Members'
Offices

Messrs. Brill, Koch, Partee, Axilrod, Bernard,
Ettin, and Keir, and Mrs. Peskin of the
Division of Research and Statistics

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

Money market review. Mr. Bernard reviewed money market developments, including in his comments reference to the recent announcement of the Treasury-Federal Reserve study of the Government securities market and to prospective effects of the prime rate increase announced by some banks yesterday. This review was followed by a general discussion of bank credit availability and interest rate developments, during which Governor Maisel requested that the staff prepare a memorandum on the viability of the 4 per cent maximum rate on savings

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deposits in the light of current circumstances. Mr. Koch commented on the chart attached to a distributed table on bank reserve utilization, noting that it had been prepared in response to a recent suggestion by Governor Maisel. (Other distributed material included tables affording perspective on the money market and the capital market.) Mr. Gemmill then discussed trends in the London gold market and foreign exchange rates, with emphasis on the pound sterling, and presented an analysis of recent developments affecting the U.S. balance of payments position.

All members of the staff except Messrs. Sherman, Kenyon, Solomon (Adviser), Fauver, Brill, and Solomon (Examinations) then withdrew and Messrs. Hackley, General Counsel, Leavitt, Assistant Director, Division of Examinations, and Egertson, Supervisory Review Examiner in that Division, entered the room.

Discount rates. The establishment without change by the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on March 10, 1966, 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.

Branch application (Item No. 1). Unanimous approval was given to a letter to Ronan State Bank, Ronan, Montana, approving the establishment of a branch (drive-in facility) approximately 600 feet from the bank's head office. A copy of the letter is attached as Item No. 1.

Report on competitive factors. There had been distributed a draft of report to the Federal Deposit Insurance Corporation on the

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competitive factors involved in the proposed merger of State Bank of Kenmore, Kenmore, New York, into Bank of Buffalo, Buffalo, New York. The proposed conclusion was to the effect that while the merger would eliminate the competition existing between the two banks, they occupied relatively minor positions in the highly competitive Buffalo area and the merger should have little effect on the competitive situation in that area.

In discussion it was noted that the city of Buffalo was presently served by only five commercial banks, including one very small bank. It was also noted that the service areas of the two banks proposing to merge appeared to overlap. These factors, among others, suggested avoiding reference to the banking situation in Buffalo as highly competitive and avoiding indication that the proposed merger would have little effect on the competitive situation. It was pointed out that the merger would have the effect of eliminating the home office protection feature in the village of Kenmore; on the other hand, a number of offices of the three largest Buffalo commercial banks were already located within close range of the location of the Kenmore bank. At the conclusion of the discussion unanimous approval was given to the transmittal of a competitive factor report with a conclusion reading as follows:

The proposed merger of State Bank of Kenmore into Bank of Buffalo, a subsidiary of Empire Shares Corporation, New York, New York, a registered bank holding company, would eliminate the competition now existing between them.

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While effectuation of the proposal would terminate "home office protection" in Kenmore and thus open the community to branches of other banks, it would replace the only Kenmore-headquartered bank by a branch of one of the five commercial banks in nearby Buffalo.

In view of certain questions that had been raised, it was understood that the Division of Examinations would furnish the Board members for their information certain additional data on the respective sizes of banks operating in the Buffalo area and on office locations. Governor Brimmer observed in this regard that the general format of the competitive factor report might deserve reconsideration, in light of the fact that several points discussed by the Board in connection with the report just approved did not seem to be covered fully, and it was agreed that the format would be reviewed.

All members of the staff except Messrs. Sherman and Solomon (Adviser) then withdrew from the meeting.

At the Board's invitation, Mr. Solomon commented informally on the Working Party 3 and Group of Ten meetings held this week in Paris.

Reference was made to receipt of a copy of a letter written by the Comptroller of the Currency under date of March 10, 1966, indicating preliminary approval, subject to certain conditions, of an application to establish a new national bank in San Francisco, California, such application having been submitted by a group of persons associated with savings and loan institutions that were substantial depositors in the San Francisco National Bank, now in receivership. It was understood that the information contained in the Comptroller's letter would be analyzed by the staff.

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The meeting then adjourned.

Secretary's Notes: Under date of March 8, 1966, a letter was sent to former Governor Balderston over the signature of Chairman Martin indicating that the Board had authorized presentation to him of the desk chair that he had used while serving on the Board, to which would be affixed the brass name plate from his Board Room chair.

Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Cleveland (attached Item No. 2) approving the designation of ten employees as special assistant examiners.

Memorandum from Mr. Young, Senior Adviser to the Board and Director, Division of International Finance, dated March 10, 1966, recommending the reestablishment of an economist position in the Europe and British Commonwealth Section of the Division of International Finance.

Memorandum from the Division of Research and Statistics dated March 11, 1966, recommending that the term of the arrangement under which Charles A. Yager is on loan to the Organization for Economic Cooperation and Development in Paris, France, be extended to August 31, 1966, and that the Controller be authorized to continue making certain agreed upon monthly payments into Mr. Yager's account for that period of time.

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

Appointments

Gary P. Cochran as Analyst, Division of Bank Operations, with basic annual salary at the rate of \$6,269, effective the date of entrance upon duty.

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Appointments (continued)

Samuel M. Rosenblatt as Economist, Division of Research and Statistics, with basic annual salary at the rate of \$13,380, effective the date of entrance upon duty.

Betty Lee Smithson as Digital Computer Programmer (Trainee), Division of Data Processing, with basic annual salary at the rate of \$5,181, effective the date of entrance upon duty.

Salary increases

Edward T. Bernard, Research Assistant, Division of Research and Statistics, from \$6,890 to \$7,479 per annum, with a change in title to Economist, effective March 13, 1966.

R. L. M. Holmes, Digital Computer Programmer, Division of Research and Statistics, from \$5,694 to \$6,086 per annum, effective March 13, 1966.

Phillip M. Wiggins, Messenger, Division of Administrative Services, from \$3,626 to \$3,943 per annum, with a change in title to Lead Messenger, effective March 13, 1966.

Virginia Ann Callahan, Secretary, Legal Division, from \$5,694 to \$6,086 per annum, effective March 27, 1966.

Transfers

Donald B. Fitzhugh, from the position of Data Processing Planner in the Division of Data Processing to the position of Analyst-Planner in that Division, with no change in basic annual salary at the rate of \$11,723, effective March 13, 1966.

Gerald F. Millea, from the position of Chief, Division Administration Section, Division of Research and Statistics, to the position of Assistant to the Controller, with an increase in basic annual salary from \$14,250 to \$15,188, effective upon assuming his new duties.

Change in official headquarters

Edward W. Healey, Assistant Federal Reserve Examiner, Division of Examinations, from San Francisco, California, to Washington, D. C., effective March 13, 1966.

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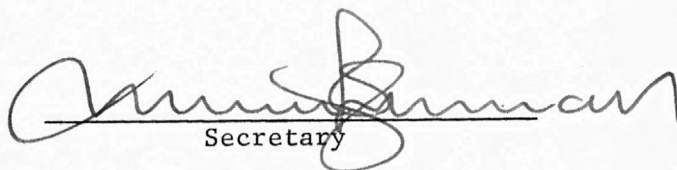
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Acceptance of resignations

Patricia A. Rosser, Stenographer, Division of Bank Operations, effective at the close of business March 4, 1966.

Maryanne O'Brien, Programmer, Division of Data Processing, effective March 11, 1966.

Franklin V. Walker, Economist, Division of Research and Statistics, effective at the close of business March 11, 1966.


Secretary

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

Item No. 1
3/11/66



**ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD**

March 11, 1966

Board of Directors,
Ronan State Bank,
Ronan, Montana.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Ronan State Bank, Ronan, Montana, of a branch (drive-in facility) to be located approximately 600 feet from Ronan State Bank's head office, provided the branch is established within six months 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
3/11/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



March 14, 1966

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 March 8, 1966, the Board approves the designation of each of the following employees as a special assistant examiner for the Federal Reserve Bank of Cleveland:

Michael Chessey
Louis R. Meenach
William Spencer
Terry Stith
Douglas Seipelt

Richard Wheeler
Robert I. Hurr
John H. Egan
Thomas W. Kohler
Robert F. Judge

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.