

Minutes for March 21, 1966

To: Members of the Board

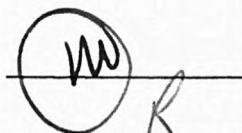
From: Office of the Secretary

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

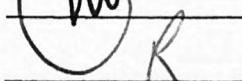
It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

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.

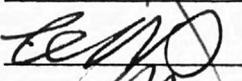
Chm. Martin



Gov. Robertson



Gov. Shepardson



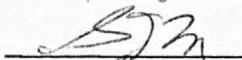
Gov. Mitchell



Gov. Daane



Gov. Maisel



Gov. Brimmer



Minutes of the Board of Governors of the Federal Reserve System  
on Monday, March 21, 1966. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Robertson, Vice Chairman  
Mr. Shepardson  
Mr. Mitchell  
Mr. Daane  
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. Molony, Assistant to the Board  
Mr. Cardon, Legislative Counsel  
Miss Wolcott, Technical Assistant, Office of  
the Secretary  
Miss Eaton, General Assistant, Office of the  
Secretary  
Mr. Morgan, Staff Assistant, Board Members' Offices

Messrs. Brill, Koch, Partee, Garfield, Williams,  
Axilrod, Sigel, Altmann, Ettin, Fisher, Gehman,  
Keir, Osborne, Peret, and Wernick of the  
Division of Research and Statistics

Messrs. Sammons, Hersey, Irvine, Reynolds, Wood,  
Gemmill, Hayes, Maroni, Mills, and Nettles  
of the Division of International 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  
economy, the presentations being based to some extent on material pre-  
pared 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 files of the Committee.

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All members of the staff then withdrew except Messrs. Sherman, Kenyon, Young, Holland, Solomon, Molony, Cardon, Brill, Koch, and Williams, and Miss Wolcott, and the following entered the room:

Mr. Hackley, General Counsel  
 Mr. Farrell, Director, Division of Bank Operations  
 Mr. Johnson, Director, Division of Personnel Administration  
 Mr. Kelleher, Director, Division of Administrative Services  
 Mr. Hexter, Associate General Counsel  
 Mr. O'Connell, Assistant General Counsel  
 Mr. Hooff, Assistant General Counsel  
 Mr. Leavitt, Assistant Director, Division of Examinations  
 Messrs. Sanders and Smith and Mrs. Heller of the Legal Division  
 Mr. Burton, Review Examiner, Division of Examinations

Discount rates. The establishment without change by the Federal Reserve Banks of Atlanta and Minneapolis on March 18, 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.

Approved items. The following items were approved unanimously after consideration of background information that had been made available to the Board and clarification of particular points about which members of the Board inquired. Copies of the items are attached under the respective numbers indicated.

	<u>Item No.</u>
Letter to The Traders Bank, Spencer, West Virginia, approving an investment in bank premises and commenting on the bank's capital position.	1
Letter to The Colorado Bank and Trust Company of Delta, Colorado, approving an investment in bank premises.	2

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	<u>Item No.</u>
Telegram to the Federal Reserve Bank of New York authorizing the opening and maintenance of an account in the name of the National Bank of Ethiopia.	3
Letter to the U.S. Commissioner of Education regarding loans under the Higher Education Act of 1965 and the National Vocational Student Loan Insurance Act of 1965.	4
Letter to the Federal Reserve Bank of San Francisco interposing no objection to the payment of a fee to a real estate broker in connection with rental of space in the Portland Branch building.	5
Letter to the Federal Reserve Bank of New York authorizing an expenditure for renovation and modernization of the ninth floor of the head office building.	6
Letter to Federal Reserve Bank of Kansas City approving the payment of salaries to Maurice J. Swords as Chief Examiner and Robert E. Scott as Assistant Chief Examiner at the respective rates fixed by the Bank's Board of Directors.	7
Letter to Federal Reserve Bank of Dallas approving the payment of salaries to Rasco R. Story as Cashier and R. J. Schoenhoff as Assistant Cashier at the Houston Branch and to Herman B. Hudson as Assistant General Auditor at the respective rates fixed by the Bank's Board of Directors.	8

Misleading bank advertising (Items 9 and 10). There had been distributed a memorandum from the Legal Division dated March 16, 1966, relating to letters to the President of the United States and to Chairman Martin from Luke S. Hayden, President of the City Savings Bank of Pittsfield, Massachusetts, protesting an advertisement by First Agricultural National Bank of Berkshire County offering "investment savings

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accounts" bearing 4.75 per cent interest. The advertisement had been the subject of correspondence and conferences at the Reserve Bank level, and it had been discussed with regional representatives of the Comptroller of the Currency.

The Legal Division recommended that a letter be sent to Mr. Hayden indicating that the terms of the agreement or contract--not the title--were the determining factor in considering whether an account conformed to Regulation Q, that in the present case the terms of the contract, as they appeared in the advertisement, did not appear to be inaccurately stated, but that Mr. Hayden's letter was being referred to the Comptroller of the Currency with the suggestion that his Office might want to discuss with the national bank the use of language that would eliminate any possible misunderstanding.

There had also been distributed a memorandum from Governor Robertson dated March 18, 1966, in which he referred to the conclusion apparently reached at a recent meeting of representatives of the Securities and Exchange Commission, Office of the Comptroller of the Currency, Federal Deposit Insurance Corporation, and the Board of Governors on the subject of bank advertisements of the "savings bond" type, as set forth in a memorandum from the Legal Division dated March 3, 1966. The consensus was to the effect that no change need be made in the current procedure of informal agency contact with individual banks in an effort to persuade them against use of misleading advertising practices. Governor Robertson felt that this represented a less than

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satisfactory approach to the problems involved, that there was a growing tendency for banks to use misleading advertisements in regard to "savings bonds," that the problems presented by their current use were sufficiently important to merit Board consideration, and that it would be appropriate to make a general survey of the Reserve Banks for information and views on the matter preparatory to consideration of what, if anything, should be done in this area.

In commenting on the proposed letter to Mr. Hayden, Governor Robertson said that in his opinion the Board should be careful about expressing itself on the accuracy or inaccuracy of a particular advertisement. It seemed to him the Board's reply should be in terms that it was considering the entire problem. In reiterating his suggestion for a general survey of the Reserve Banks to obtain information and views, he also suggested that the Board review its unpublished 1963 ruling with respect to calling certificates of deposit "savings bonds." He added that a situation existed in which the leadership of the supervisory agencies could be helpful. Perhaps a Reserve Bank survey would result in the collection of sufficient information with respect to the whole situation on which to base an attempt to get all of the banking agencies to agree on an approach that would effectively discourage misleading advertising.

Other members of the Board who commented on the matter expressed no objection to the idea of requesting information from the Reserve Banks.

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At the same time, they expressed some reservations as to what results could reasonably be accomplished and indicated doubt about an approach that would contemplate close supervisory regulation of bank advertising. Governor Maisel suggested that attention be focused on the manner in which the rate of interest was quoted rather than the titles by which particular savings instruments were described.

Following this discussion, Chairman Martin suggested that a brief letter be transmitted to Mr. Hayden and that a letter be sent to all Federal Reserve Bank Presidents asking for additional information and views, but that the Board go no further at this juncture. There was general agreement with this approach. Copies of the letters sent pursuant to this understanding are attached as Items 9 and 10.

New York State Dormitory Authority bonds. At the meeting on September 22, 1965, the Board considered a request from the Federal Reserve Bank of New York for a ruling to the effect that the 10 per cent investment limitation of section 5136 of the U.S. Revised Statutes could be applied separately to New York State Dormitory Authority bonds issued for particular colleges, provided that such bonds were in effect actually repayable by the college. Such a ruling, if issued, would be based upon an interpretation of "obligor or maker" as used in the seventh paragraph of section 5136, which among other things limits the extent to which a national bank may invest in the obligations of one "obligor or maker" to 10 per cent of the bank's capital stock and surplus. This limitation is made applicable to State member banks by section 9 of the Federal Reserve Act.

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From the discussion at the September 22 meeting it developed that the requested ruling would be generally consistent with a ruling by the Comptroller of the Currency, that it would not be acceptable to the Board's Legal Division, and that there was uncertainty as to the exact position of the Legal Department of the New York Reserve Bank. In the interest of clarification, it was understood that the Board's staff would discuss the matter further with the Bank.

There had now been distributed a memorandum from the Legal Division dated February 24, 1966, in further regard to the question. Reference was made therein to an October 28, 1965, letter from the General Counsel of the New York Reserve Bank in which the opinion was expressed that in applying the 10 per cent limitation to State member banks the term "obligor" should be given a definition consistent with the underlying purpose of the statute, i.e., the safeguarding of bank solvency by requiring diversification of investment portfolios. The New York Bank's Examinations Department had expressed the opinion that since the bondholders in this case must rely on the credit of each particular institution for which the Authority issued bonds, the application of the 10 per cent limitation separately to bonds issued for each such institution, instead of the aggregate of all bonds issued by the Dormitory Authority, would provide adequate diversification to protect investing banks. Accordingly, it was the view of the Reserve Bank that the Dormitory Authority should not be treated as an obligor within the limitation contained in the seventh paragraph of section 5136.

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The Board's Legal Division continued of the opinion that the language of section 5136 meant that any person promising to pay principal or interest on an obligation was an obligor, and that an obligor did not cease to be such merely because a third person agreed to pay the obligor amounts sufficient to cover principal and interest on the obligations when due. The Division did not question that the purpose of the 10 per cent limitation on investing in obligations of one obligor was to assure diversification of member bank portfolios or that the holders of an issue of Authority bonds relied primarily on the credit of the particular institutions for which the Authority issued the bonds. But the Division did question whether the holders of an issue of Authority bonds relied solely on the credit of the particular institution. From a reading of the Dormitory Authority Act and from material relating to the Authority's Revenue Bonds, Mills College of Education Issue, Series A, it appeared that should the institution for which the Authority had issued a bond default on its obligations, the Authority would be obligated to make timely payment.

The Legal Division again recommended advising the New York Reserve Bank that the Board proposed to issue a ruling in accordance with which bonds issued by the New York State Dormitory Authority for a particular college would have to be included in determining the extent of a State member bank's investment in obligations of the Authority, even though such obligations probably would be paid solely from revenues received

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by the Authority from the college. A draft of letter was submitted with the memorandum. It was also recommended that the proposed interpretation be submitted to the Comptroller of the Currency and the Federal Deposit Insurance Corporation for comment, in line with the "Dillon procedure."

Mr. Sanders, after reviewing the points brought out in the February 24 memorandum, added that the Legal Division would not consider the Authority an obligor if it merely served as a conduit for the transmission to bondholders of funds received from a particular college. However, bonds issued by the Authority for a particular college were not actually repayable solely by the college. In this connection Mr. Sanders noted that the Comptroller had indicated, with respect to State of Kansas Board of Regents Revenue Bonds, that "The Board of Regents limits its liability in connection with a particular bond issue to the revenue generated by the building financed by that bond issue." Although this suggested that the Board of Regents served merely as a conduit insofar as payment of the bonds was concerned, the Comptroller ruled that the statutory limitation must be applied to the aggregate of all bonds issued by such agency, because it was the "obligor" thereon. The Legal Division was unable to explain the difference in the Comptroller's New York and Kansas rulings.

There followed discussion of a number of questions relating to the Comptroller's New York ruling, the position of the New York Reserve

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Bank, and the position of the Board's Legal Division, considered in light of the factual situation, the pertinent statutory language, and the results that would follow in terms of accommodating the underlying purpose of the statute.

Governor Maisel inquired whether the Board's staff had discussed the matter with the legal staff of the Comptroller's Office. When response was made in the negative, he suggested that such discussion be undertaken as a next step, particularly in view of the Comptroller's apparently divergent rulings in the New York and Kansas cases.

After further discussion it was understood that the procedure suggested by Governor Maisel would be followed and that the Board's staff would then make a further report before action was taken.

Application of Security New York State Corporation. There had been distributed drafts of an order and statement reflecting the Board's approval on February 14, 1966, of the application of Security New York State Corporation, New York, New York, to become a bank holding company through acquisition of shares of Security Trust Company of Rochester, Rochester, New York, and The State Bank of Seneca Falls, N.Y., Seneca Falls, New York.

Several suggestions were made concerning the draft statement, and it was understood that a revised draft incorporating these suggestions would be submitted to the members of the Board for review.

The meeting then adjourned.

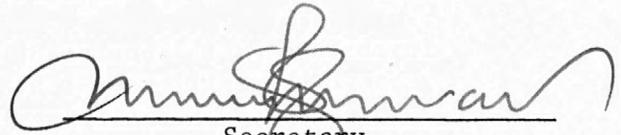
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Secretary's Note: Governor Shepardson today approved on behalf of the Board the following items:

Letter to the Federal Reserve Bank of Minneapolis (attached Item No. 11) approving the appointment of Dennis Arnold Remus as assistant examiner.

Memorandum from the Director of the Division of Administrative Services dated March 17, 1966, recommending payment to Clifton M. Truesdale, Springfield, Virginia, of \$650 for work done in connection with the modernization of the Board's cafeteria, under the contract approved on December 15, 1965.



Secretary

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1  
3/21/66

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 21, 1966

Board of Directors,  
The Traders Bank,  
Spencer, West Virginia.

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, direct and indirect, in bank premises of not to exceed \$362,625 by The Traders Bank, Spencer, West Virginia, for the purpose of constructing a new bank building. It is understood that \$250,000 of this proposed investment will be represented by funds borrowed by the bank's wholly-owned affiliate from a source other than the subject bank. The remaining portion (\$112,625) represents cash to be paid by the bank for stock of the bank's affiliate.

The Board understands that a parking lot and bank premises now being occupied will be sold and the proceeds used to reduce the carrying value of the bank premises account. Upon completion of the proposed building program the investment in bank premises will represent a higher percentage of capital structure than is normally considered advisable. So large an investment increases the burden on the bank's capital structure. The directors are urged to review the bank's capital position frequently, to conserve earnings in order that capital structure may be strengthened and to provide additional capital funds upon completion of the building program should a review at that time reveal a need.

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. 2  
3/21/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 21, 1966

Board of Directors,  
The Colorado Bank and Trust Company  
of Delta, Colorado,  
Delta, Colorado.

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 \$275,000 by The Colorado Bank and Trust Company of Delta, Colorado, Delta, Colorado, for the purpose of constructing a new main office building. This amount does not include \$50,000 already expended for the building site.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,  
Assistant Secretary.

**TELEGRAM**  
LEASED WIRE SERVICEItem No. 3  
3/21/66**BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM**  
**WASHINGTON**

March 21, 1966

MacLaury - New York

Your wire March 17. Board approves opening and maintenance of an account on your books in the name of the National Bank of Ethiopia, subject to the usual terms and conditions. It is understood that participation in this account will be offered to other Federal Reserve Banks.

(Signed) Merritt Sherman

Sherman



BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM  
WASHINGTON

Item No. 4  
3/21/66

OFFICE OF THE CHAIRMAN

March 22, 1966

The Honorable Harold Howe II,  
U. S. Commissioner of Education,  
Department of Health, Education, and Welfare,  
Washington, D. C. 20202

Dear Doc:

This will acknowledge your letter of March 3, 1966, in which you provide information about the Higher Education Act of 1965 (89-329) Title IV, Part B, and the National Vocational Student Loan Insurance Act of 1965 (89-287). These Acts provide for insurance and guarantees of loans extended to students enrolled or accepted for enrollment in institutions of higher education and vocational schools. In view of the insured status of such loans, you ask if it would be appropriate for the Federal Reserve System to consider such loans as preferential because less than normal risk is involved and payment of interest and principal is assured.

When appraising the overall financial condition of any bank, examiners carefully analyze assets to determine the degree of risk existing in various types of loans, securities, and other assets in which the bank has invested. In evaluating the risk contained in the loan portfolio, examiners for the Federal Reserve System have been instructed to consider and accord proper weight to any insurance or guarantee provided by the U. S. Government, its agencies, or corporations established by it. Directives now outstanding to examiners recognize that loans such as those insured or guaranteed by the Federal Housing Administration, the Veterans Administration, and the Small Business Administration are in this special class and involve somewhat less risk than usual portfolio loans.

The Board agrees that the aims of the Education Acts are most desirable, and it would not object to member banks extending loans insured or guaranteed under various provisions

The Honorable Harold Howe II

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of the Acts. Examiners for the Federal Reserve System will be instructed to treat these loans in the same manner they treat other loans insured, either directly or indirectly, by the Federal Government. It has been the Board's experience that bankers are aware of the relatively riskless nature of loans insured or guaranteed by the U. S. Government, its agencies, or corporations established by it. Bankers are generally aware of the treatment accorded such loans by examiners, and I feel certain that any banker would weigh the desirable aspects of educational loans when deciding if such loans appeared appropriate for inclusion in the loan portfolio of a bank.

Copies of this letter are being forwarded to all Federal Reserve Banks for distribution to examiners.

Sincerely yours,

(Signed) Bill

Wm. McC. Martin, Jr.

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

Item No. 5  
3/21/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 21, 1966

Mr. Eliot J. Swan, President,  
Federal Reserve Bank of San Francisco,  
San Francisco, California. 94120.

Dear Mr. Swan:

This refers to your March 2 letter concerning the fact that a real estate broker has approached the Portland Branch with the name of a proposed tenant for space in the Portland Branch building that may be vacated by the United States Corps of Engineers.

The situation at Portland seems to be one in which negotiating through the broker would be appropriate because it would be the most practical means of securing a desirable tenant. Accordingly, the Board would interpose no objection to the arrangements suggested in your letter.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 6  
3/21/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 21, 1966

Mr. Alfred Hayes, President,  
Federal Reserve Bank of New York,  
New York, New York. 10045.

Dear Mr. Hayes:

This refers to your letter of February 24, 1966, concerning renovation and modernization of the 9th floor of the head office building, for the purpose of consolidating the various units of the Research and Statistics function (except the Research Library) on this floor.

The Board approves your Bank's proceeding with this project, as described in your letter, and authorizes the expenditure of about \$975,500 for the purpose.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 7  
3/21/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 21, 1966

CONFIDENTIAL (FR)

Mr. Homer A. Scott,  
Chairman of the Board,  
Federal Reserve Bank of Kansas City,  
Kansas City, Missouri. 64106.

Dear Mr. Scott:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Kansas City, at rates indicated, for the period April 1 through December 31, 1966:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Maurice J. Swords	Chief Examiner	\$15,000
Robert E. Scott	Assistant Chief Examiner	14,500

These are the rates fixed by your Board of Directors as reported in your letter of March 10.

The Board has noted the anticipated retirement on March 31 of Chief Examiner George R. Wilkinson.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 8

3/21/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 21, 1966

CONFIDENTIAL (FR)

Mr. Watrous H. Irons, President,  
Federal Reserve Bank of Dallas,  
Dallas, Texas. 75222

Dear Mr. Irons:

The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of Dallas, for the period of April 1 through December 31, 1966, at rates indicated, which are those fixed by your Board of Directors as reported in your letter of March 10.

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
<u>Houston Branch</u>		
Rasco R. Story	Cashier	\$13,500
R. J. Schoenhoff	Assistant Cashier	11,300
<u>Head Office</u>		
Herman B. Hudson	Assistant General Auditor	12,400

The Board has noted that the retirement of B. J. Troy, Cashier of the Houston Branch, will become effective on April 1.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

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

Item No. 9  
3/21/66



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 24, 1966.

Mr. Luke S. Hayden, President,  
City Savings Bank of Pittsfield,  
Pittsfield, Massachusetts. 01203

Dear Mr. Hayden:

This refers to your letters of February 28, 1966, to the President of the United States and to Chairman Martin, with respect to a newspaper advertisement by First Agricultural National Bank of Berkshire County, offering "Investment Savings Accounts" bearing 4.75 per cent interest.

It appears probable that these accounts meet the definition of "time deposits, open account" in section 217.1(d) of the Board's Regulation Q, a copy of which is enclosed. The terms of the contract, as reflected in the advertisement, indicate that a time deposit relationship is being created and, if so, such deposits could legally bear interest up to 5-1/2 per cent per annum.

Your letter has been brought to the Board's attention, and you may be sure that your views will be considered in the continuing study of Regulation Q and its administration.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,  
Secretary.

Enclosure

BOARD OF GOVERNORS  
OF THE  
FEDERAL RESERVE SYSTEM

Item No. 10  
3/21/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

April 5, 1966.



Dear Sir:

Recent developments in efforts of banks to attract deposits through the use of advertisements for "savings bonds", "savings certificates", or the like, have given rise to the question whether advertising of this type by member banks is objectionable or undesirable.

An example of the type of advertisement involved is one in which a bank offers "savings bonds", with "bank guaranteed" interest, available for "growth" purposes, "earning" a "profit" stated in terms of a percentage of the original principal that represents only the aggregate interest that would be earned if held to "final" maturity--that is, for a number of years.

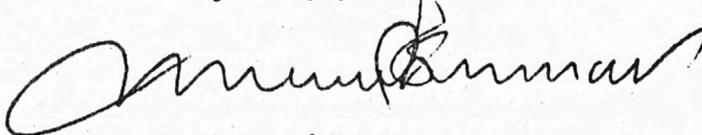
To assist in its consideration of this problem, the Board would appreciate information on:

- (1) the extent to which banks in your district are offering "savings bonds", "savings certificates", or the like, and
- (2) the advertisements that such banks are using, including the extent to which the use of any particular type is growing. This should include information as to the various ways in which banks describe interest in their advertisements or announcements, that is, how rates are quoted and whether the reader can readily identify the annual rate of return, whether quoted on a compounded or simple interest basis and whether the compounding is daily or less frequent.  
(Samples of ads might prove useful.)

In addition, the Board would appreciate your views on the propriety, from a legal or other standpoint, of such advertisements generally and, particularly, the various elements thereof. If you should consider any element improper, the Board would be glad to receive suggestions you may have on the appropriate method to terminate its use.

Following a review of the material furnished by the Reserve Banks in response to this request, as well as specific instances of false or misleading advertising reported pursuant to F.R.L.S. #3352 (S-1970, October 13, 1965), it seems probable that a discussion of the entire subject at the next meeting of the Conference of Presidents would be helpful.

Very truly yours,

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

Merritt Sherman,  
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

Item No. 11  
3/21/66

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



ADDRESS OFFICIAL CORRESPONDENCE  
TO THE BOARD

March 22, 1966

Mr. R. K. Grobel, Vice President,  
Federal Reserve Bank of Minneapolis,  
Minneapolis, Minnesota. 55440

Dear Mr. Grobel:

In accordance with the request contained in Mr. Strothman's letter of March 16, 1966, the Board approves the appointment of Dennis Arnold Remus as an assistant examiner for the Federal Reserve Bank of Minneapolis, effective March 28, 1966.

It is noted that Mr. Remus owns 13 shares of common stock of the Northwest Bancorporation, Minneapolis, Minnesota. Accordingly, the Board's approval of the appointment of Mr. Remus is given on the condition that he will dispose of the stock prior to his employment by your bank.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,  
Assistant Secretary.