

Minutes for April 25, 1966


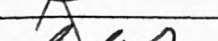
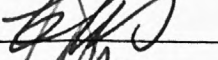
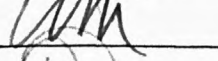
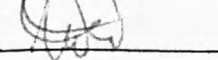
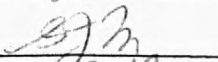
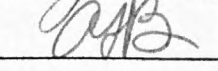
To: Members of the Board

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	<u></u>
Gov. Robertson	<u></u>
Gov. Shepardson	<u></u>
Gov. Mitchell	<u></u>
Gov. Daane	<u></u>
Gov. Maisel	<u></u>
Gov. Brimmer	<u></u>

Minutes of the Board of Governors of the Federal Reserve System on Monday, April 25, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Young, Senior Adviser to the Board and
 Director, Division of International Finance
 Mr. Solomon, Adviser to the Board
 Mr. Molony, Assistant to the Board
 Mr. Farrell, Director, Division of Bank Operations
 Mr. Solomon, Director, Division of Examinations
 Mr. Hexter, Associate General Counsel
 Mr. Sammons, Associate Director, Division of
 International Finance
 Miss Eaton, General Assistant, Office of the
 Secretary
 Mr. Egertson, Supervisory Review Examiner,
 Division of Examinations
 Mr. Poundstone, Review Examiner, Division of
 Examinations

Approved items. The following items, copies of which are attached to these minutes under the respective item numbers indicated, were approved unanimously after consideration of background material that had been made available to the Board and clarification of points of information about which members of the Board inquired:

Item No.

Letter to Chase International Investment Corporation, New York, New York, granting an extension of time to acquire stock or convertible debentures of PERUINVEST, Compania de Fomento e Inversiones, S.A., Lima, Peru.

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Item No.

Letter to the Federal Reserve Bank of Cleveland regarding participation in a mission to Nigeria by Assistant Vice President Hoover of that Bank, who would be granted leave without pay for approximately three months beginning on or about June 3, 1966.

2

Telegram to the Presidents of all Federal Reserve Banks regarding shipments to Washington of unfit \$1 Federal Reserve notes.

3

In connection with Item No. 3, it was noted that the House Banking and Currency Committee had reported a bill providing for local destruction of Federal Reserve notes, but with no provision for a single issue of such notes. Vice Chairman Robertson commented that, while he would have favored a bill including provision for a single note issue, he would not want to see the present bill jeopardized by an effort to amend it, and there appeared to be general agreement in that regard.

Report on competitive factors. A report to the Comptroller of the Currency on the competitive factors involved in the proposed merger of Farmers and Mechanics-National Bank of Phoenixville, Phoenixville, Pennsylvania, into National Bank of Chester County and Trust Company, West Chester, West Chester, Pennsylvania, was approved unanimously for transmittal to the Comptroller, the conclusion reading as follows:

There is no significant competition between Farmers and Mechanics-National Bank of Phoenixville, Phoenixville, Pennsylvania, and National Bank of Chester County and

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Trust Company, West Chester, West Chester, Pennsylvania, to be eliminated by consummation of the proposed merger. However, effectuation of the proposal would eliminate a \$16 million locally headquartered bank, leaving the Phoenixville area to be served solely by branches of banks headquartered elsewhere.

Messrs. Egertson and Poundstone withdrew at this point.

Reports on meetings. Governor Mitchell commented on the meeting of Governors of the Central Banks of the American Continent held in Jamaica last week and stated that a memorandum reporting in more detail would be distributed.

Governor Daane summarized the meeting of the Deputies of the Group of Ten held in Washington last week.

Discount study. Reference was made to a memorandum from Mr. Holland, Adviser to the Board, dated April 21, 1966, relating that the Steering Committee for the Fundamental Reappraisal of the Discount Mechanism recommended the retention of up to eight academic consultants who could be convened as a group to discuss possible reformulation of Federal Reserve discount policy. The intention was to convene such a group for one-day meetings this spring and again in the fall, with selection of the group to be made by Professor Lester V. Chandler. The consultants would be compensated at the rate of \$75 a day, up to five days, for time spent in preparation for and attendance at each of the meetings, and they would be allowed actual necessary travel expenses in accordance with the Board's travel regulations.

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The recommendation was approved unanimously.

Visitor program. Reference was made to a memorandum from Mr. Bakke, Assistant Secretary, dated April 22, 1966, regarding proposed arrangements for a visit to the Board's offices on Thursday afternoon, May 12, by a group of German mutual savings bank officials, and the arrangements were noted without objection.

Foreign travel. The Board authorized foreign travel by David G. Hayes, Economist in the Division of International Finance, for the purpose of accompanying Governor Shepardson to the annual meeting of the Bank for International Settlements in Basle, Switzerland, in June of this year, and on visits thereafter to Scandinavian central banks and the Bank of England. The travel was authorized on an actual expense basis.

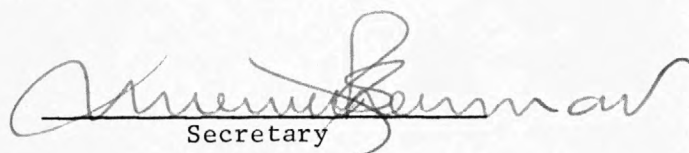
The meeting then adjourned.

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

Letter to the Federal Reserve Bank of Richmond (copy attached as Item No. 4) approving the designation of Victor E. Pregeant, III, as special assistant examiner.

Letter to the Federal Reserve Bank of Minneapolis (copy attached as Item No. 5) approving the designation of Melvin L. Burstein as special assistant examiner.

Memorandum from the Office of the Secretary recommending an increase in the basic annual salary of Cecilia A. Lawson, Clerk-Typist in that Office, from \$4,569 to \$4,953, with a change in title to Stenographer, effective April 25, 1966.


Secretary

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

Item No. 1
4/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1966.



Chase International
Investment Corporation,
1 Chase Manhattan Plaza,
New York, New York. 10005

Gentlemen:

Reference is made to your letter of March 28, 1966, referring to the Board's letter of March 30, 1965, which granted consent to your Corporation to purchase and hold 13,368 shares of Peruano-Suiza de Fomento e Inversiones Sociedad Anonima-PERUINVEST (now known as PERUINVEST, Compania de Fomento e Inversiones, S.A.), Lima, Peru, provided such shares were acquired within one year from the date of the Board's letter. You state that your Corporation has acquired a total of 8,972 shares of PERUINVEST and has subscribed for the remaining 4,396 shares. As requested in your letter of March 28, 1966, the Board of Governors extends to March 30, 1967, the time within which your Corporation may acquire the remaining 4,396 shares of PERUINVEST by direct purchase.

In the event your Corporation purchases subordinated convertible debentures of PERUINVEST in lieu of the 4,396 shares heretofore subscribed, the Board of Governors grants consent to the acquisition by your Corporation of the same number of shares upon conversion of such debentures at any time prior to July 30, 1971, the anticipated expiration date of the right to convert the debentures into shares.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 2
4/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1966.



Mr. W. Braddock Hickman, President,
Federal Reserve Bank of Cleveland,
Cleveland, Ohio.

Dear Brad:

The Board of Governors has approved the participation of Mr. Robert G. Hoover, Assistant Vice President, Federal Reserve Bank of Cleveland, in the mission being organized by Ohio State University to study and make recommendations on the establishment and operation of a national agricultural credit bank in Nigeria, in accordance with the terms outlined in your letter of April 14, 1966.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

TELEGRAM
LEASED WIRE SERVICE

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BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 3
4/25/66

April 25, 1966

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS
AND VICE PRESIDENTS IN CHARGE OF BRANCHES:

Bill to provide for local destruction of Federal Reserve notes, but with no provision for a single issue of such notes, has been sent to House floor by Patman Committee with favorable report, and prospects for early enactment into legislation seem bright. In view of these developments, Treasury has requested, and Board concurs, that further shipments of unfit \$1 Federal Reserve notes to Washington be discontinued not later than April 27, except that upper halves of lowers already shipped should be forwarded. Separation of own unfit \$1's from those of other Banks may also be discontinued. Shipments of unfit notes of other denominations should be continued as heretofore until further notice.

SHERMAN



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 4
4/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 1966

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 April 21, 1966, the Board approves the designation of Victor E. Pregeant, III, as a special assistant examiner for the Federal Reserve Bank of Richmond.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.



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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 5
4/25/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

April 25, 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 April 21, 1966, the Board approves the
designation of Melvin L. Burstein as a special assistant
examiner for the Federal Reserve Bank of Minneapolis.

Very truly yours,

(Signed) Elizabeth L. Carmichael

Elizabeth L. Carmichael,
Assistant Secretary.

