

Minutes for July 19, 1966

To: Members of the Board

From: Office of the Secretary

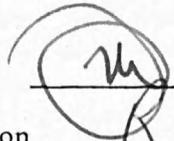
Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is proposed to place in the record of policy actions required to be kept under the provisions of section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 12 Disapproval of rates on discounts and advances established by Federal Reserve Bank of Boston.

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.

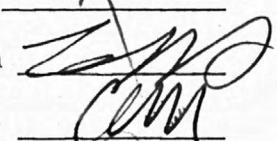
Chairman Martin



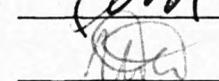
Governor Robertson



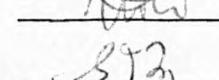
Governor Shepardson



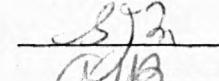
Governor Mitchell



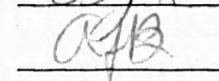
Governor Daane



Governor Maisel



Governor Brimmer



Minutes of the Board of Governors of the Federal Reserve System on Tuesday, July 19, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Bakke, Assistant Secretary
Mr. Solomon, Adviser to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Legislative Counsel
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Farrell, Director, Division of Bank Operations
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. Kakalec, Controller
Mr. Hexter, Associate General Counsel
Mr. Shay, Assistant General Counsel
Mr. Hooff, Assistant General Counsel
Mr. Koch, Deputy Director, Division of Research and Statistics
Mr. Partee, Associate Director, Division of Research and Statistics
Mr. Sammons, Associate Director, Division of International Finance
Mr. Daniels, Assistant Director, Division of Bank Operations
Miss Wolcott, Technical Assistant, Office of the Secretary
Messrs. Forrestal and Via of the Legal Division
Messrs. McClintock and Poundstone of the Division of Examinations

Approved items. The following items were approved unanimously after consideration of background information that had been made available to the Board. Copies are attached under the respective numbers indicated.

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Item No.

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|---|-----|
| Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch near Florin Road and Stockton Boulevard, Sacramento County. | 1 |
| Letter to Wells Fargo Bank, San Francisco, California, approving the establishment of a branch near Clayton and Bailey Roads, Concord. | 2 |
| Letter to United California Bank, Los Angeles, California, approving the establishment of a branch near Florin Road and Stockton Boulevard, Sacramento County. | 3 |
| Letters to (1) Chase Manhattan Overseas Banking Corporation and (2) Chase International Investment Corporation (both section 25(a) corporations, wholly owned by The Chase Manhattan Bank (National Association), New York, New York), rescinding previous approval by the Board of amendments to their articles of association. | 4-5 |
| Letter to the Federal Reserve Bank of Atlanta advising that the Board is prepared to grant permission to The First National Bank of Miami, Miami, Florida, to invest in stock of First Foreign Investment Corporation, Miami, Florida, and for the latter corporation to invest in stock of First National Holdings Limited, a proposed Bahamian corporation, upon execution by First Foreign Investment Corporation of an agreement pursuant to section 25 of the Federal Reserve Act. | 6 |
| Letter to the Federal Reserve Bank of Chicago approving the payment of salaries to the Bank's firemen at rates above the maximums of their grades. | 7 |

In accordance with a suggestion by Vice Chairman Robertson, the letters to Chase Manhattan Overseas Banking Corporation and Chase

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International Investment Corporation (Items 4-5) were modified so as to avoid the appearance of tacit approval by the Board of the manner in which the corporations proposed to obtain funds for foreign investment activities. The letters, as approved, simply stated that since their capital stock had not been increased within 90 days following Board approval of their requests for permission to do so, as required by section 25(a), paragraph 12, of the Federal Reserve Act, the Board had rescinded its approval of the related amendments to their articles of association.

Reimbursement of expenses of the Comptroller related to Federal Reserve notes. Federal Reserve notes in the \$1 denomination were first issued in November 1963, and shortly thereafter began to be returned to the Federal Reserve Banks in unfit condition for redemption. In the hope of avoiding the expense of sorting these notes by Bank of issue and, after cancellation, shipping both upper and lower halves to Washington for verification and destruction (as required by the provisions of section 16 of the Federal Reserve Act then in effect), the Board instructed the Reserve Banks to hold and store such notes, unsorted, pending legislative authority for local destruction.

By the end of October 1965 the legislation in question had still not been enacted, and the accumulation of unfit \$1 Federal Reserve notes at the Reserve Banks had reached unwieldy proportions. Accordingly, at a meeting on November 1, 1965, the Board acted to implement interim

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procedures, previously developed in consultation with the Treasury Department, for shipment of part of the accumulating unfit \$1 Federal Reserve notes to Washington. In connection with these arrangements, a Board letter of November 26, 1965, to the Secretary of the Treasury authorized a procedure whereby verification count of lower halves of such unfit notes by the Treasurer of the United States would be on a 5 per cent sample basis, supplemented by a package count of upper halves by the Comptroller of the Currency. In a letter of December 10, the Secretary agreed to this verification procedure.

Under date of January 7, 1966, the Comptroller sent a letter to the Treasury Department indicating that his Currency Issue and Redemption Division had been receiving unfit \$1 Federal Reserve notes at the rate of 75-80 bags per day, and had been able to process only four bags a day. Accordingly, he indicated that his facilities were such that he believed it would be impractical to receive further shipments of these notes after January 19.

On January 17, Chairman Martin discussed this matter with Secretary Fowler. He showed him a Board staff memorandum and a draft of proposed letter indicating that, on the basis of available information, one of the reasons the Comptroller had developed such a backlog of upper halves of unfit \$1 Federal Reserve notes was that his Office was making a complete piece count of all notes received, rather than merely a package count as agreed to in the Secretary's letter of December 10, 1965.

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The draft letter also raised the question whether the Board would be justified in reimbursing the Comptroller for more than the previously agreed-upon package count. The matter was then referred to the Under Secretary of the Treasury for exploration.

On February 11, 1966, a letter was received from the Treasury Department advising that the Comptroller had declined to accept further shipments of the upper halves of unfit \$1 Federal Reserve notes, but that the Treasury Department itself would be willing to see to the storage of such incoming shipments until the matter could be resolved.

This procedure was followed until May 20, at which time enactment of Public Law 89-427, and subsequently issued regulations of the Secretary of the Treasury thereunder, authorized the Reserve Banks to destroy the upper halves of unfit \$1 Federal Reserve notes locally, without sort by Bank of issue.

On June 8, the Director of the Comptroller's Currency Issue and Redemption Division called the Board's staff to discuss a forthcoming request for an advance from the Board to cover his Division's expenses incident to issue and redemption of Federal Reserve notes during the period June-December 1966. In the course of this discussion, the Comptroller's representative was advised of the position stated in the draft letter to Secretary Fowler that the Board would not feel justified in reimbursing the Comptroller for a complete verification count of unfit \$1 Federal Reserve notes. Thereafter, pursuant to another telephone

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call from the Comptroller's Office, representatives of that Office, the Treasurer's Office, and the Board's staff met to discuss (1) the extent to which the Currency Issue and Redemption Division of the Office of the Comptroller would continue to verify unfit \$1 Federal Reserve notes, and (2) how much, if any, reimbursement the Board would allow the Office of the Comptroller for work done in verifying unfit \$1 Federal Reserve notes, over and above a package count of upper halves on hand. The following tentative agreement had been worked out at that meeting:

- (1) Approximately 100 million notes (upper halves) in unopened bags would not be processed by the Comptroller of the Currency. For these notes, the Treasurer, U. S., would give the Comptroller receipts stating that the lower halves of such notes had been verified to the satisfaction of the Treasurer.
- (2) Twenty-one million notes (upper halves) on shelves in the Office of the Comptroller would be verified by that Office under whatever procedures they chose to follow, but with the understanding that no reimbursement would be requested by the Comptroller from the Board for any Federal Reserve note redemption work after July 31, 1966.
- (3) Reimbursement to the Comptroller through July would permit orderly transition of the regular redemption work from the Comptroller to the Office of the Treasurer of the United States. (This transfer would not include the 21 million notes mentioned above.)

There had now been distributed a memorandum dated July 11, 1966, from Mr. Daniels, referring to the salient points in the foregoing sequence of events, and indicating that a voucher had been received from the Comptroller's Issue and Redemption Division requesting an advance for expenses for June-December 1966, based upon the foregoing

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understanding. The memorandum concluded with a recommendation that the voucher be paid, stating that "It will have the effect (1) of allowing the Comptroller to recover costs incurred during the period January 1-June 30, 1966, for verification work which the Comptroller considered necessary but which the Board considered unnecessary, and (2) of terminating reimbursement to the Comptroller as of August 1, 1966, for verification and any other redemption work."

After discussion of the situation in the light of the circulated memorandum and Mr. Daniels' supplementary remarks, unanimous approval was given to the payment in question.

Messrs. Daniels, Shay, McClintock, and Poundstone withdrew from the meeting at this point and Mr. Shull, Senior Economist, Division of Research and Statistics, entered the room.

Administration of discount window (Item No. 8). In accordance with a suggestion made at the meeting on July 14, 1966, there had been distributed a draft of letter to the Federal Reserve Banks that would request the Presidents and discount officers to review the administration of their discount windows so as to make certain that administration was consistent with the general principles of Regulation A (Advances and Discounts by Federal Reserve Banks) and the current objectives of monetary policy. The letter would point out that while access to Federal Reserve discount facilities should be available to member banks for appropriate purposes as outlined in Regulation A, in the present situation

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every effort should be made to induce member banks to liquidate their borrowings as promptly as possible, not only by appropriate portfolio adjustments but also by the adoption of tighter lending policies. The letter would further suggest that the recent expansion of borrowing by country banks warranted review, cautioning that demands for longer-term accommodations from country banks should be guarded against.

Several suggestions were made for possible additions to and changes in language, to meet points raised by members of the Board during discussion of the draft. During the discussion Governor Daane raised a question about indicating that the discount window was to be administered in harmony with the objectives of prevailing monetary policy. It was his understanding that the Board's position in the past had been that the discount window should be administered in a generally consistent fashion to accommodate genuine liquidity needs of member banks, rather than as an adjunct of monetary policy at any given time. Comments by other members of the Board made it clear that they would have no objection to including language along the lines contained in the draft letter.

At the suggestion of Governor Robertson, it was agreed that the distributed draft would be edited to cover the suggestions made at today's meeting, and the sending of a letter, so edited, was approved unanimously. A copy of the letter in the form in which it was subsequently transmitted to the Presidents is attached as Item No. 8.

Regulation Q matters (Items 9-10). There had been distributed for the Board's information a statement prepared by the Legal Division,

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dated July 18, 1966, (copy attached as Item No. 9), explaining certain applications of the amendments to Regulation Q (Payment of Interest on Deposits) and its Supplement providing for reduced interest rate ceilings on multiple maturity time deposits. The amendments were to become effective July 20.

The statement (1) further defined multiple maturity time deposits, (2) set up a guideline by which to determine the maximum rate on such deposits, (3) pointed out that the amendments would apply only to deposits received on or after July 20, 1966, and (4) attempted to clarify the application of the amendments through illustrative cases.

Mr. Hackley advised that the text of the distributed statement had been sent yesterday by wire to the Reserve Banks in an effort to clarify points about which questions had been raised; a copy had also been furnished to the Federal Deposit Insurance Corporation.

There had also been distributed copies of telegrams dated July 18, 1966, from (1) Marine Midland Trust Company, Buffalo, New York, and (2) First National City Bank, New York, New York, relating to questions involving application of the amendments to Regulation Q.

In its telegram, Marine Midland Trust Company indicated that time deposit, open account, agreements with alternate maturities and the privilege of withdrawal before maturity upon 30 days' prior written notice had been a valuable operating tool of municipalities, and questioned whether it was now the intent of the Board to penalize municipalities

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by elimination of their privilege of using that type of agreement without rate reductions.

The telegram from First National City Bank noted that the Board's July 15 statement with respect to the amendments to Regulation Q and its Supplement would seem to indicate that, while the Board intended by its action to cover only domestic "consumer type" certificates of deposit in member banks, the definition of "multiple maturity time deposit" would seem to include a large volume of time deposits, open account, not in the "consumer type" category, such as those of private domestic corporations, State and local governments and their agencies, and private foreign corporations and individuals. Normally, these deposit accounts would include renewal options and withdrawal options; however, if these provisions had to be excluded from such deposit contracts written on or after July 20, the ability of the bank to compete for new domestic and foreign money would be seriously impaired. In the circumstances, the bank requested prompt clarification of the regulation as amended.

During discussion, it was noted that under present law the Board had no authority to prescribe different maximum interest rates according to category of depositor, and there was agreement that the purpose of the amendments to Regulation Q and its Supplement was to bring within the ambit of lower interest rate ceilings all time deposits except those that provided for payment at single fixed maturity. In this connection, Governor Robertson observed that, as a practical matter, the reach of

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the amendments had to be broad in order to obviate evasion of the Board's intent.

After further discussion of the intended scope of the amendments in question, unanimous approval was given to transmittal of responses to Marine Midland Trust Company and First National City Bank, incorporating the points made at today's meeting. A copy of the reply subsequently sent to First National City Bank is attached as Item No. 10; a similar telegram was sent to Marine Midland Trust Company.

In connection with the foregoing, Mr. Hackley reported that a representative of the Federal Deposit Insurance Corporation had told him that the Corporation was considering issuance of a public statement to clarify the reach of the action it had taken paralleling that of the Board regarding interest rates on multiple maturity time deposits. This raised the question whether, if the Federal Deposit Insurance Corporation did issue such a statement, the Board would wish to do the same.

After some discussion of this point, Governor Robertson commented that the consensus seemed to favor no public statement at this time, but that if the Corporation decided to issue an explanatory statement the matter would be given further consideration and, at that time, the Board would decide whether to follow suit. This expression of sentiment was concurred in by the other members of the Board.

Following a brief report by Mr. Cardon on pending legislative proposals, all members of the staff except Messrs. Sherman, Kenyon, and Bakke withdrew from the room.

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Discount rates. Advice had been received that the Board of Directors of the Federal Reserve Bank of Boston had, on July 18, 1966, established rates of 5 per cent on discounts and advances to member banks under sections 13 and 13a of the Federal Reserve Act, 5-1/2 per cent on advances to member banks under section 10(b) of that Act, and 6 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13 of that Act, subject to review and determination by the Board of Governors.

In line with the action by the Board at its meeting on Friday, July 15, with respect to similar rates established by the Boards of Directors of the Federal Reserve Banks of New York, Cleveland, Chicago, and St. Louis on July 14, the rates established by the Boston Reserve Bank were disapproved by unanimous vote, with the understanding that appropriate advice would be sent to that Bank. This meant that the rates on discounts and advances in the Bank's existing schedule continued in effect.

The establishment without change by the Federal Reserve Bank of Kansas City on July 18, 1966, of the rates on discounts and advances in its existing schedule was approved unanimously, with the understanding that appropriate advice would be sent to that Bank.

The meeting then adjourned.

Secretary's Notes: On July 18, 1966, a letter was sent to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in Colombia, to be located in the Parque Nacional area of Bogota. The letter noted that expenditures required to establish the branch would be provided from funds available in Colombia.

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Acting in the absence of Governor Shepardson, Governor Robertson approved on behalf of the Board on July 18, 1966, the following items:

Letter to the Federal Reserve Bank of Atlanta (copy attached as Item No. 11) approving the designation of Francis A. D'Amico, William J. Geerken, and Enrique Soriano as special assistant examiners.

Letter to the Federal Reserve Bank of Dallas (copy attached as Item No. 12) approving the appointment of Robert L. Cotter as assistant examiner.

Letter to the Federal Reserve Bank of San Francisco (copy attached as Item No. 13) approving the designation of R. A. Remedios, H. L. Benson, and R. D. Edmund as special assistant examiners.

Letter to the Secretary of the Retirement System of the Federal Reserve Banks (copy attached as Item No. 14) regarding continuation of supplemental retirement benefits for annuitants under the Board Plan; letter to the Federal Reserve Bank of Richmond (copy attached as Item No. 15) regarding continuation of the supplemental retirement benefit payable to Mrs. Irene H. Flagg, widow of Maurice P. Flagg.

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

Appointment

Linda M. Snyder as Statistical Clerk, Division of Bank Operations, with basic annual salary at the rate of \$4,953, effective the date of entrance upon duty.

Transfers

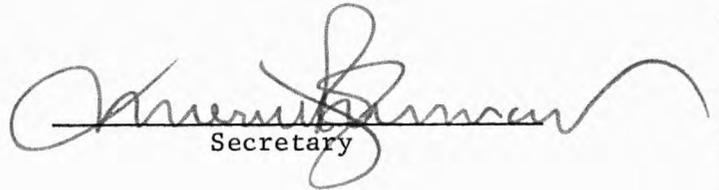
Jean S. Barber, from the position of Accounting Clerk to the position of Supervisor, Payroll and Disbursing, Office of the Controller, with an increase in basic annual salary from \$6,662 to \$7,097, effective July 18, 1966.

Helen L. Lee, from the position of Payroll Clerk to the position of Accounting Clerk, Office of the Controller, with no change in basic annual salary at the rate of \$5,352, effective July 18, 1966.

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Governor Shepardson today approved on behalf of the Board a memorandum from the Division of Administrative Services recommending acceptance of the resignation of Barbara Jane Greenspan, Clerk in that Division, effective the close of business July 19, 1966.



Secretary

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

Item No. 1
7/19/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the vicinity of the intersection of Florin Road and Stockton Boulevard, Sacramento County, California, 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
7/19/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966

Board of Directors,
Wells Fargo Bank,
San Francisco, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wells Fargo Bank, San Francisco, California, of a branch in the vicinity of the intersection of Clayton and Bailey Roads, Concord, Contra Costa County, California, 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. 3
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966



Board of Directors,
United California Bank,
Los Angeles, California.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by United California Bank, Los Angeles, California, of a branch in the vicinity of the intersection of Florin Road and Stockton Boulevard, Sacramento County, California, 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. 4
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966.



Chase Manhattan Overseas
Banking Corporation,
One Chase Manhattan Plaza,
New York, New York. 10005

Gentlemen:

This will acknowledge your letter of May 5, 1966, referring to the Board's letters of January 4 and April 11, 1966, which, among other things, approved amendments to the Articles of Association of your Corporation to effect two increases in capital from \$11,810,000 to \$13,254,000, consisting of 13,254 shares of \$1,000 par value per share, and then to \$13,717,000, consisting of 13,717 shares of \$1,000 par value per share. Approval of these amendments was given in connection with proposed investments by your Corporation in the capital stock of Banque de Commerce, Antwerp, Belgium, and Privat-und Kommerzbank, Vienna, Austria.

Par.12 of Section 25(a) of the Federal Reserve Act provides in part:

" . . . The capital stock of any such corporation may be increased at any time, with the approval of the Board of Governors of the Federal Reserve System, by a vote of two-thirds of its shareholders or by unanimous consent in writing of the shareholders without a meeting and without a formal vote, but any such increase of capital shall be fully paid in within ninety days after such approval; . . ."

Since the capital increases were not effected within the time prescribed, the Board's approvals of the amendments are rescinded.

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. 5
7/19/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966.

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

Gentlemen:

This will acknowledge your letter of May 9, 1966, referring to the Board's letter of February 9, 1966, which approved an amendment to the Articles of Association of your Corporation increasing the capital stock to \$9,000,000, consisting of 90,000 shares of the par value of \$100 each.

Par.12 of Section 25(a) of the Federal Reserve Act provides in part:

" . . . The capital stock of any such corporation may be increased at any time, with the approval of the Board of Governors of the Federal Reserve System, by a vote of two-thirds of its shareholders or by unanimous consent in writing of the shareholders without a meeting and without a formal vote, but any such increase of capital shall be fully paid in within ninety days after such approval; . . ."

Since the capital increase was not effected within the time prescribed, the Board's approval of the amendment is rescinded.

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
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966.



Mr. R. M. Stephenson, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Stephenson:

This is in reference to the application dated June 6, 1966, of The First National Bank of Miami, Miami, Florida, for permission under the provisions of Section 25 of the Federal Reserve Act, to invest approximately \$300,000 in the stock of a corporation to be known as "First Foreign Investment Corporation" ("First Foreign"), to be organized under the laws of the State of Florida to engage principally in international or foreign banking.

The Board of Governors is prepared to grant the requested permission upon condition that First Foreign shall deliver to you, within ninety days from the date of this letter, two copies of the enclosed agreement duly executed by the appropriate officers of First Foreign. Upon receipt of a duly executed copy of such agreement, the Board will forward the requested permission directly to The First National Bank of Miami with a copy to you for your information and files. Accordingly, please have two copies of the enclosed agreement executed on behalf of First Foreign by its appropriate officers and forward the original executed copy thereof to the Board of Governors. The other copy of the agreement should be retained for the records of the Reserve Bank.

The Board is also prepared to grant consent to First Foreign to purchase and hold approximately 30 per cent of the capital stock of First National Holdings Limited, a corporation to be organized under the laws of the Bahamas, and the letter to the applicant referred to above will grant such consent.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Enclosures

AGREEMENT

In consideration of the granting by the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board of Governors), under the provisions of section 25 of the Federal Reserve Act and pursuant to an application filed with the Board of Governors by The First National Bank of Miami, Miami, Florida, of permission to acquire and hold stock of First Foreign Investment Corporation (hereinafter referred to as the Corporation), the Corporation, in accordance with the provisions of said section 25 of the Federal Reserve Act, hereby undertakes and agrees with the Board of Governors as follows:

1. Compliance with Section 11 of Regulation K:

That the Corporation shall not purchase or hold any asset, or otherwise exercise any of its powers in the United States or abroad in any manner, which would not be permissible under the provisions of Regulation K issued by the Board of Governors.

2. Further Limitations and Restrictions:

That the Corporation shall restrict its operations and conduct its business in such manner and under such other or further limitations and restrictions as the Board of Governors may hereafter from time to time prescribe, in Regulation K or otherwise.

3. Examinations and Reports:

- (a) That at such times as may be fixed by the Board of Governors the Corporation shall submit to examination by examiners selected or approved by the Board of Governors;
- (b) That the Corporation shall pay the expenses of all such examinations in the amount determined by the Board of Governors;
- (c) That the Corporation shall do everything necessary to facilitate such examinations and shall make available to the examiners all information which they may require;

(d) That the Corporation shall make reports to the Board of Governors at such times and in such form and covering such matters as the Board of Governors may prescribe.

This agreement is executed in duplicate.

First Foreign Investment Corporation

By _____

Date _____

Attest: _____
Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 7
7/19/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966

CONFIDENTIAL (FR)

Mr. Hugh J. Helmer,
First Vice President,
Federal Reserve Bank of Chicago,
Chicago, Illinois. 60690

Dear Mr. Helmer:

As requested in your letter of June 29, 1966, the Board of Governors approves the payment of salaries by the Federal Reserve Bank of Chicago to the Bank's Firemen at rates above the maximums of the grades in which the positions are classified, effective on the dates indicated, as follows:

<u>Title</u>	<u>Annual Salaries</u>		
	<u>Effective</u> <u>7-4-66</u>	<u>Effective</u> <u>7-4-67</u>	<u>Effective</u> <u>7-4-68</u>
Firemen	\$7,654.40	\$8,174.40	\$8,590.40

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 8
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 19, 1966.

Dear Sir:

In light of the current objectives of monetary policy and in order to make doubly sure that appropriate general principles are being applied with reasonable uniformity, the Board believes that it would be helpful if the Presidents and Discount Officers of all Federal Reserve Banks would review carefully the administration of their discount windows. Among the matters that the Board considers it important to have clearly in mind under present conditions are those mentioned in the following paragraphs. Each Reserve Bank can, of course, think of others.

On any occasion when monetary policy becomes more restrictive, it can be expected that borrowing activity at the discount window will tend to increase. In fact, growth in aggregate borrowing is an indicator of the degree of monetary restraint on banks. As banks borrow, they come under pressure to make adjustments, thereby helping to spread the effects of restraint throughout the banking system. To this end, Regulation A provides that credit extended through the discount window should be short term and on a noncontinuous basis, except in exigent circumstances.

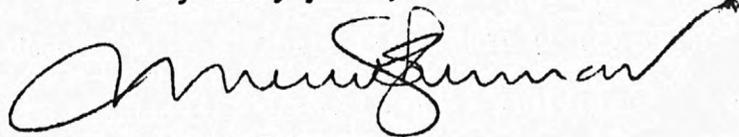
Access to Federal Reserve discount facilities should, of course, continue to be available to member banks for appropriate purposes as outlined in Regulation A. In the current situation, however, every effort should be made to induce member banks to liquidate their borrowings as promptly as possible, not only by appropriate portfolio adjustments but by the adoption of more restrictive lending policies. Moreover, fuller utilization of credit lines and larger takedowns of commitments to lend do not constitute

adequate justification for extended use of the discount window. And, of course, extension of Federal Reserve credit to member banks borrowing for the purpose of selling funds in the Federal funds market is clearly inappropriate.

The recent expansion of borrowing by country member banks suggests the need for particularly careful review. The fact that large city banks are cutting down on advances to correspondent country banks is not, of itself, a sufficient justification for extended or continuing country-bank borrowing from the Federal Reserve Banks. Also to be guarded against are demands by country banks for longer-term accommodation on the ground that their lines of credit to national or regional firms, which may have found that they are unable to get all the credit they desire from their usual sources, are now being activated.

The Board will appreciate your special review of discount window administration against the background of considerations of this kind. It would be glad to receive your comments, including advice on developments that would appear to be of significance to the Federal Reserve System generally.

Very truly yours,

A handwritten signature in cursive script, appearing to read "Merritt Sherman", with a long, sweeping flourish extending to the right.

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

EXPLANATORY STATEMENT
REGARDING MAXIMUM INTEREST RATES ON
MULTIPLE MATURITY TIME DEPOSITS

Item No. 9
7/19/66

The following statement is designed to aid in the interpretation and application of the amendments made by the Board of Governors on July 15, 1966, to its Regulation Q, Payment of Interest on Deposits, and to the Supplement to that Regulation.

The amendments prescribe maximum rates of 5 per cent or 4 per cent on "multiple maturity time deposits", depending upon the maturities or terms of withdrawal or repayment specified in the deposit contract. A multiple maturity time deposit is a time deposit (whether a certificate or a time deposit, open account) that permits withdrawal by the depositor, at his option, at more than one date, including deposits payable on alternative specified dates, payable at any time after prior written notice, or providing for automatic renewal at maturity. A deposit with a single fixed date of payment, such as one payable only on a specified date, is not a multiple maturity deposit, and such a deposit may continue to bear interest up to a maximum rate of 5-1/2 per cent.

In determining whether the maximum rate on a multiple maturity deposit is 5 per cent or 4 per cent, the test is the length of the interval between the date of any permissible withdrawal and the date of the deposit or the last preceding date when withdrawal would have been permissible. If the interval is 90 days or more, the maximum rate is 5 per cent; if it is less than 90 days, the maximum rate is 4 per cent.

The amendments apply only to deposits received on or after July 20, 1966. They do not affect deposits made before that date even though the bank may have a right to terminate the deposit contract or to modify the contract rate.

Following are some illustrative cases regarding the application of the amendments:

1. A deposit is payable three months, six months, or nine months after the date of deposit. The maximum rate is 5 per cent.
2. A certificate is payable one year after date or at any time prior thereto after 30 days' written notice. The maximum rate is 4 per cent.
3. A six-month certificate provides for automatic renewal at maturity for a further six months. The maximum rate is 5 per cent.
4. A certificate is payable one year after date and thereafter upon 30 days' written notice. The maximum rate is 5 per cent for the one-year period and 4 per cent for any period after one year.
5. A deposit contract specifies no fixed maturity but permits withdrawal at any time after 30 days' written notice. The maximum rate is 4 per cent.
6. A certificate issued prior to July 20, 1966, provides for automatic renewal every 90 days and optional withdrawal at any time after 30 days' notice. The new lower rates do not apply; the maximum rate remains 5-1/2 per cent.

7. A time deposit, open account, opened prior to July 20, 1966, permits withdrawals after 30 days' notice. The maximum rate on deposits made in the account before July 20 is 5-1/2 per cent; the maximum rate on deposits made on or after July 20 is 4 per cent.

8. A deposit made by a foreign central bank is payable six months after date or on 30 days' written notice. By reason of a special statutory provision, time deposits of foreign governments and foreign central banks, until October 15, 1968, are not subject to maximum rate limitations prescribed by the Board.

Legal Division,
Board of Governors of the
Federal Reserve System.

July 18, 1966.

Item No. 10
7/19/66

T E L E G R A M

July 19, 1966.

James S. Rockefeller, Chairman,
First National City Bank,
New York, New York.

Re your wire July 18. Revised Supplement to Regulation Q effective July 20, 1966, regarding maximum interest rates on multiple maturity time deposits, covers any time deposits payable after written notice of withdrawal, including time deposits, open account, whether received from individuals, corporations, or municipalities. Purpose was to cover all time deposits except those which at time of deposit provide for payment at single fixed maturity. Under present law Board may not prescribe different maximum interest rates according to nature of depositor.

(Signed) Merritt Sherman

Merritt Sherman, Secretary,
Federal Reserve Board.

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

Item No. 11
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 18, 1966

Mr. R. M. Stephenson, Vice President,
Federal Reserve Bank of Atlanta,
Atlanta, Georgia. 30303

Dear Mr. Stephenson:

In accordance with the request contained
in your letter of July 12, 1966, the Board approves
the designation of each of the following employees
as a special assistant examiner for the Federal
Reserve Bank of Atlanta:

Francis A. D'Amico
William J. Geerken
Enrique Soriano

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. 12
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 18, 1966

Mr. Thomas R. Sullivan, Vice President,
Federal Reserve Bank of Dallas,
Dallas, Texas. 75222

Dear Mr. Sullivan:

In accordance with the request contained
in your letter of July 12, 1966, the Board approves
the appointment of Robert L. Cotter as an assistant
examiner for the Federal Reserve Bank of Dallas,
effective today.

The authorization heretofore given your
bank to designate Mr. Cotter as a special assistant
examiner is hereby canceled.

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. 13
7/19/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 20, 1966

Mr. Irwin L. Jennings, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco, California. 94120

Dear Mr. Jennings:

In accordance with the request contained in your letter of July 14, 1966, the Board approves the designation of R. A. Remedios, H. L. Benson, and R. D. Edmund as special assistant examiners for the Federal Reserve Bank of San Francisco.

Appropriate notations have been made 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.

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

Item No. 14
7/19/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 18, 1966

Mrs. Valerie R. Frank,
Secretary, Retirement System
of the Federal Reserve Banks,
Federal Reserve Bank of New York,
New York, New York. 10045

Dear Mrs. Frank:

With reference to the Board's letter of May 31, 1963, interposing no objection to incorporating into the Board Plan the increased retirement benefits provided by Public Law 87-793, it is requested that the Retirement System bill the Board of Governors for the cost of continuing these benefits to June 30, 1967, for those annuitants on the rolls as of June 30, 1966. It is understood that this cost will be in the neighborhood of \$27,390 for the period involved.

It is also requested that the Retirement System continue to bill the Board at the time of retirement for the individual cost of providing this supplementary benefit to those members of the Board's staff who retire between July 1 and December 31, 1966.

The U. S. Civil Service Commission has not, as yet, received its appropriations for the current fiscal year. However, H.R. 14921, the Independent Offices and Housing and Urban Development Appropriation Act of 1967, contains provisions to continue the supplementary retirement benefits provided by Public Law 87-793 to Civil Service annuitants through June 30, 1967. This bill has passed the House, but has not reached the floor of the Senate. A Joint Resolution (1180) was introduced in the House of Representatives on June 27 which would provide appropriations until August 31, 1966, for those programs and projects of a continuing nature, including the increased retirement benefits provided by Public Law 87-793. This Resolution was signed by the President on June 30, 1966, and became Public Law 89-481.

Congress reconvened on July 11, and H.R. 14921 is expected to be one of the first items of business in the Senate. After the bill has passed the Senate and has been signed by the President, we will send you a copy of the Public Law as soon as it becomes available.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 15
7/19/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

July 18, 1966

Mr. Edward A. Wayne, President,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Wayne:

Please refer to our letter of June 30, 1964, concerning the supplemental retirement benefit payable to Mrs. Irene H. Flagg, widow of Maurice P. Flagg, under Public Laws 87-793 and 88-25. As this benefit is being extended for another year, please remit \$72 to the Retirement System of the Federal Reserve Banks when billed by that office to cover the cost of continuation through June 30, 1967.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

