

Minutes for August 1, 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.

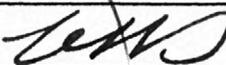
Chm. Martin



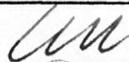
Gov. Robertson



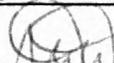
Gov. Shepardson



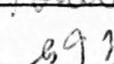
Gov. Mitchell



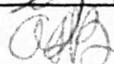
Gov. Daane



Gov. Maisel



Gov. Brimmer



Minutes of the Board of Governors of the Federal Reserve System on Monday, August 1, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Miss Carmichael, Assistant Secretary
Mr. Bakke, Assistant Secretary
Mr. Molony, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hackley, General Counsel
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel Administration
Mr. O'Connell, Assistant General Counsel
Mr. Sammons, Associate Director, Division of International Finance
Mr. Leavitt, Assistant Director, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the Secretary
Mr. Egertson, Supervisory Review Examiner, Division of Examinations

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

	<u>Item No.</u>
Letters to Wachovia Bank and Trust Company, Winston-Salem, North Carolina, approving the establishment of a branch in Charlotte and two in-town branches.	1-3
Letter to Bank of the Commonwealth, Detroit, Michigan, approving an extension of time to establish an in-town branch.	4

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	<u>Item No.</u>
Letter to the Federal Reserve Bank of Boston interposing no objection to a leave of absence without pay for Jared E. Hazleton, Manager-Research Department.	5
Letter to the Department of Justice requesting that the Department represent the Federal Reserve Bank of Kansas City, in the Bank's capacity as fiscal agent for an agency of the United States (Commodity Credit Corporation), in certain pending litigation.	6
Letter to Chairman Wayne of the Conference of Presidents concurring in the procedure outlined in the report of the Ad Hoc Subcommittee to Study System Purchasing Procedures and designating Mr. Kelleher of the Board's staff to serve as associate on the standing subcommittee that will implement a coordinated System purchasing program.	7

During discussion of Item No. 7 it was observed that in June 1965 the Board had asked the Conference of Presidents to make a study of System purchasing procedures looking toward the possibility of reducing expenses through centralized or coordinated purchasing or leasing of equipment, services, or supplies. The Conference appointed an Ad Hoc Subcommittee to study the question, and the report of the Subcommittee was accepted and the recommendations in the report were approved at the meeting of the Conference on June 27, 1966. The Ad Hoc Subcommittee was thereupon discharged and the Committee on Systems, Procedures, and Accounting empowered to establish a standing subcommittee to implement a coordinated purchasing program. The procedures had been reviewed by Mr. Farrell, Director of the Division of Bank Operations,

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and Mr. Kelleher, Director of the Division of Administrative Services, both of whom had regarded them as satisfactory.

Equal Employment Opportunity Program (Item No. 8). At its meeting on July 25, 1966, the Board had before it a draft statement relating to the Board's Equal Employment Opportunity Program to be transmitted to the Civil Service Commission. It was understood that Governor Brimmer would work with the staff to incorporate certain modifications in the statement. There had now been distributed a revised draft of statement, with transmittal letter.

Governor Brimmer indicated that the revised statement was satisfactory to him, but stated his belief that improvements could be made in the Board's program, which he thought was less vigorous than those of certain other Federal agencies. One particular area in which he thought more progress could be made was in recruiting personnel with specialized qualifications.

In view of Governor Shepardson's responsibility at the Board level for internal management affairs, it was understood that Governor Brimmer would take up with him his suggestions for strengthening the employment program.

Unanimous approval was then given to the letter and statement, copies of which are attached under Item No. 8.

Discount facility for export paper. In a letter dated April 21, 1966, to President Linder of the Export-Import Bank the Board expressed

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general agreement with the objectives of the program being developed by the Bank for strengthening export credit facilities, including creation within the Bank of a mechanism that would permit commercial banks to discount export paper, but noted that the program included particular points as to which the Board would suggest further consideration or modification in the light of other public policies, market practices, or technical requirements of law. The letter was accompanied by a memorandum of comments by the Board's staff.

At today's meeting Mr. Sammons reported on proposals to modify the framework of the program, as reflected during a recent interagency meeting at the Export-Import Bank.

There followed a lengthy general discussion of the evolving program, with particular emphasis on its relationship to the U. S. balance of payments problem, the voluntary foreign credit restraint program, and the need to assure, as far as possible, that banks would use funds obtained through Export-Import Bank discounts in such manner as to stimulate export financing.

During his presentation Mr. Sammons indicated that another meeting would be held this week at the Export-Import Bank regarding the program, with commercial bankers present. It was agreed that Governor Brimmer and Mr. Sammons would represent the Board at the meeting and subsequently report to the Board any developments that might indicate a need for the Board to take a position on the policy issues involved.

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National Bank of Berkeley matter. Mr. Solomon reported for the Board's information on the circumstances involved in a proposed purchase of assets and assumption of liabilities of the National Bank of Berkeley, Berkeley, California, by United California Bank, Los Angeles, California, it being understood that the situation was such that the proposal was likely to come before the Board shortly as an emergency case.

Secretary's Note: It was subsequently learned that the National Bank of Berkeley had turned down the offer of United California Bank and instead was considering one made by Central Valley National Bank, Oakland, California.

Annex building. Governor Shepardson recalled that during recent discussions relating to the Board's proposed annex building it had been suggested that efforts be made to arrange with the Department of the Interior for the development of a park on the property to the north of the Board's present property across C Street, in return for which the Board would construct under the park a garage in which the Department would be assigned a number of parking spaces equal to those it would relinquish on the present surface parking lot. Since a preliminary discussion with the Department had been encouraging, Governor Shepardson now had requested the Legal Division to study the matter to see if there was any apparent obstacle to pursuing further the possibility of such an arrangement.

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Committee assignments. The Board designated Governor Mitchell, in lieu of Governor Robertson, as the Board's liaison with the Presidents' Conference Committee on Inter-Bank Electronic Communications.

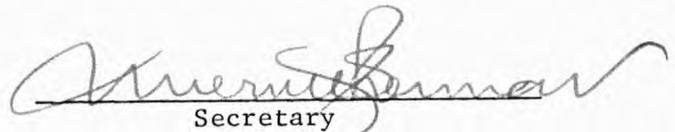
The Board designated Governor Brimmer, in lieu of Governor Robertson, as a member of the Ad Hoc Bank Charter Committee.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish an additional branch in Argentina, to be located in the Cordoba and Callao Section of Buenos Aires. It was noted that costs would be covered by funds available in the Argentine and that no additional capital remittance would be required from New York.

Attached as Item No. 9 is a copy of a letter sent today to the Federal Reserve Bank of San Francisco approving a special Grade 16 maximum of \$21,500 in the salary structure applicable to the head office, as requested in the Bank's letter of July 8, 1966. The letter was sent pursuant to the authorization given to the Secretary at the meeting of the Board on June 29, 1966.

Governor Shepardson today approved on behalf of the Board a request from Linda M. Snyder, Statistical Clerk, Division of Bank Operations, for permission to work for a local department store on a part-time basis.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 1
8/1/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 1, 1966

Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, of a branch at 125 West Trade Street, Charlotte, North Carolina, provided the branch is established within six months from the date of this letter.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

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

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

Item No. 2
8/1/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966



Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, of a branch (seasonal teller's window) in Carolina Star Warehouse, 3152 Shorefair Drive, N.W., Winston-Salem, North Carolina.

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. 3
8/1/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966

Board of Directors,
Wachovia Bank and Trust Company,
Winston-Salem, North Carolina.

Gentlemen:

The Board of Governors of the Federal Reserve System approves the establishment by Wachovia Bank and Trust Company, Winston-Salem, North Carolina, of a branch (seasonal teller's window) in Peppers Warehouse, 101 Eighth Street, N.W., Winston-Salem, North Carolina.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 4
8/1/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966

Board of Directors,
Bank of the Commonwealth,
Detroit, Michigan.

Gentlemen:

The Board of Governors of the Federal Reserve System extends to February 8, 1967, the time within which Bank of the Commonwealth, Detroit, Michigan, may establish a branch at 7720-7724 Michigan Avenue, Detroit, Michigan.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.

Item No. 5
8/1/66

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



August 1, 1966

Mr. Earle O. Latham,
First Vice President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Latham:

Reference is made to your letter of July 18, regarding a leave of absence without pay to Mr. Jared E. Hazleton, Manager-Research Department, to enable him to work with Resources for the Future, Inc. to prepare his doctoral thesis, An Economic Analysis of the Sulphur Industry for publication, such leave of absence to cover the period July 20 through September 20, 1966 and a period not to exceed one month during 1967.

The Board of Governors interposes no objection to the leave of absence and other arrangements outlined in your letter as approved by your Board of Directors.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.



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

Item No. 6
8/1/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966

The Honorable John W. Douglas,
Assistant Attorney General,
Civil Division,
Department of Justice,
Washington, D. C. 20530

Attention Harland F. Leathers, Esq.,
Chief, Litigation Section

Re: Alfred M. Joyce v. Commodity Credit Corporation
of the United States, Federal Reserve Bank of
Kansas City, et al., No. 4-66, Civil 225,
U.S. D.C., D. of Minn., Fourth Division

Dear Mr. Douglas:

Reference is made to the above action in which service of summons and complaint was made on the Federal Reserve Bank of Kansas City, Kansas City, Missouri, on July 13, 1966. Copies of the summons and complaint are enclosed. You will note that the Kansas City Reserve Bank is given but 20 days, or until August 2, to file its answer. The complaint and the preparation of answer, motion to dismiss, or other responsive pleading have been the subject of discussions between Mr. Harland F. Leathers of your staff and Thomas J. O'Connell of the Board's staff. It is understood that your office has requested written confirmation of Mr. O'Connell's oral request on behalf of the Board that the Department of Justice undertake representation of the Federal Reserve Bank of Kansas City in conjunction with the Department's representation of the Commodity Credit Corporation.

The complaint in this action is so lacking in specificity and clarity as to preclude a determination of the action or actions that plaintiff asserts were taken or failed to be taken by the defendant Federal Reserve Bank that contributed to the alleged

The Honorable John W. Douglas

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wrongful detention of 3,500 bushels of plaintiff's corn. In the absence of further facts, the allegations with respect to the first cause of action would appear to suggest only that the Federal Reserve Bank of Kansas City had acted or failed to act in concert with and as agent for the Commodity Credit Corporation. In view of the status of the Corporation as "an agency and instrumentality of the United States" (15 U.S.C. 714), and of the statutory authorization for the Federal Reserve Banks "to act as depositaries, custodians, and fiscal agents" for the Commodity Credit Corporation (12 U.S.C. 395), the Board views as appropriate, and therefore requests, that the Department of Justice represent the Federal Reserve Bank of Kansas City in this action in its capacity as fiscal agent for an agency of the United States. As you are aware, the Department has represented the Federal Reserve Banks in several previous cases where, as here, the Reserve Banks were acting in an agency capacity in circumstances where the real party in interest was a department or agency of the Federal Government. It is understood that Mr. O'Connell, pursuant to Mr. Leather's request, will provide your staff with the names of cases in which the Department of Justice has acted as counsel for Reserve Banks, both at trial and appellate levels, and will furnish citations to Federal case decisions holding that for certain purposes Federal Reserve Banks are agencies or instrumentalities of the Federal Government. It has been on this basis that your Department has found proper the filing of a joint pleading on behalf of the United States, certain officials of the Federal Government, and a Federal Reserve Bank. (See W. F. Horne, et al. v. Federal Reserve Bank of Minneapolis, et al., No. 3-63 Civil 322, U.S. D.C., D. of Minn., Third Div., D. of J. File JWS:FWD 145-3-638.)

With respect to the second cause of action set forth in the complaint, it is noted that no mention is made of defendants Commodity Credit Corporation or Federal Reserve Bank of Kansas City except as their alleged actions set forth in the first cause of action are incorporated by reference in paragraph I. of the second cause of action.

It will be appreciated if the matter of the defense of the Kansas City Reserve Bank's position can be undertaken by the Department in conjunction with its representation of the Commodity Credit Corporation. In view of the August 2 due date for the Reserve Bank's answer to the complaint, it is urged that the United States Attorney in Minneapolis be requested to obtain for the Reserve Bank, through consent or motion, the full 60 days for answer accorded an agency of the United States by Fed. Rules Civ. Proc. rule 12(a), 28 U.S.C.A.

The Honorable John W. Douglas -3-

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The Board's staff and those of the Federal Reserve Banks of Kansas City and Minneapolis will extend whatever assistance you consider necessary to the Department's representation of the Commodity Credit Corporation and the Kansas City Reserve Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

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

Item No. 7
8/1/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966

Mr. Edw. A. Wayne, Chairman,
Conference of Presidents,
Federal Reserve Bank of Richmond,
Richmond, Virginia. 23213

Dear Mr. Wayne:

Thank you for your letter of June 30, 1966 relating to the acceptance of the report of the Ad Hoc Subcommittee to Study System Purchasing Procedures and the approval of the recommendations therein at the Conference of Presidents on June 27, 1966.

The Board concurs in the procedure outlined in the report and would like to have Mr. Joseph E. Kelleher of its staff serve as associate on the standing subcommittee that will implement a coordinated purchasing program.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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Item No. 8
8/1/66

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



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966.

Mr. Nicholas J. Oganovic,
Executive Director,
U.S. Civil Service Commission,
Washington, D.C. 20415

Dear Mr. Oganovic:

With reference to Bulletin No. 713-4 of the U.S. Civil Service Commission, there are enclosed three copies of a statement approved by the Board relating to its Equal Employment Opportunity Program. This is a matter in which the Board has an active continuing interest, and developments will be followed closely with a view to making any adjustments in the present program that may further implement equal employment opportunities for all qualified persons.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

Equal Employment Opportunity Program

The employment policies and practices of the Board of Governors of the Federal Reserve System are designed to provide equal opportunity for qualified persons without regard to race, creed, color, sex, or national origin and to promote equal employment opportunity through a positive, continuing program.

In reviewing current policies and practices, the Board has used as a frame of reference the items set forth under Section 713.203, "Agency program," Subpart B, of the U.S. Civil Service Commission regulations on Equal Opportunity Without Regard to Race, Creed, Color, or National Origin. Consideration has been given to recruitment, promotions, salary increases, working conditions, training programs, methods of keeping employees informed with respect to the Board's employment policies, procedures for handling complaints regarding discrimination, and plans for reviewing personnel practices. Comments follow on each of these items.

Recruitment

The needs for new employees in the Board's organization result mainly from turnover of existing staff. If it is not possible to fill vacancies by promotion from within the Board's staff, the usual sources of recruitment are utilized. These include consideration on an equitable basis of all applicants who call at the Board's offices or make inquiry by telephone or mail, as well as contact with the United States Employment Service, and the placement offices of high schools, business schools,

and colleges to solicit applicants. To fill positions requiring highly qualified persons, Federal Reserve Banks and appropriate departments of universities are canvassed. On occasion advertisements are placed in newspapers or circulars are sent to nearby schools to seek applicants, especially in clerical, typing, or stenographic fields. In an effort to recruit stenographers, the attached notice was sent recently to 160 schools and colleges, including all public high schools in the D. C. metropolitan area. In the future it is planned to include in recruitment advertisements and notices a statement that the Board is an Equal Opportunity Employer, thereby making it clear that applications from both majority and minority groups are welcome.

A testing program is used for determining skills and general mental ability of applicants for positions that are appropriate for testing procedures, such as in the clerical, typing, and stenographic fields. Those applying for a particular position are given identical tests so that there is a fair basis for comparing the scores made by individual applicants. Recently, in an effort to uncover any latent skills among present Board employees, those in the two lowest grade levels were advised of opportunities for promotion to positions as key punch operators and tests were given on a voluntary basis to all those who were interested in being considered. A standardized test was used to determine whether the employees had the general mental ability and aptitude to be trained for this kind of work. As a result of this type of testing program, it is hoped to provide opportunities for advancement to those in the lower grades who do not already possess the skills needed for specialized job categories. Such testing opportunities will be repeated at appropriate intervals in the future.

Aside from turnover of existing staff, the Board has recently experienced some expansion, particularly in professional-level positions of the Division of Research and Statistics and the Division of Data Processing (Computer). In both the computer and economic research fields, qualified applicants are scarce because of the highly competitive market, and it has become increasingly difficult to locate and retain qualified employees of either minority or majority groups. However, through contacts with various colleges and universities, as well as with other employers, there is a continuing effort to attract applicants for these areas.

Promotions

As is indicated above, the Board follows a promotion-from-within policy wherever possible in filling vacancies. Selections are made on the basis of determining the employee who is best equipped by virtue of work performance and basic skills to perform the duties of the position.

Salary increases

Progress increases are given to employees in recognition of satisfactory performance and growth in individual jobs at all levels. In addition, employees whose performance or achievement has been exceptional may be considered for meritorious increases. Progress and meritorious increases have been made and will continue to be made without regard to race, creed, color, sex, or national origin.

Working conditions

All facilities of the Board of Governors are integrated, and members of minority groups share the same working conditions as other Board employees.

Training programs

Training programs are provided on an equal opportunity basis. Members of minority groups participate actively in training programs held at the Board and in interagency and university courses sponsored by the Board. This participation includes supervisory management and computer courses; plans for the current year include a training assignment at one of the Federal Reserve Banks for a Board employee who is a member of a minority group.

Keeping employees informed of Board's employment policies

The Board's regulations and procedures prescribed to carry out the purposes of Executive Order 10925 have been available to all employees, and a copy has been posted on the official bulletin board. A letter from the Employment Policy Officer transmitting these regulations to all members of the Board's staff stated that "it is the policy of the Board of Governors that all personnel actions, including selection for employment, shall be based solely on merit and not on considerations of race, creed, color, or national origin." The letter also invited employees to bring to the Employment Policy Officer or his deputy any questions that might arise under the regulations. The Board's regulations are currently being revised to conform with provisions in the U.S. Civil Service regulations on Equal Opportunity Without Regard to Race, Creed, Color, or National Origin. The revised regulations will be distributed to all employees with a letter from the Employment Policy Officer, and a copy will be posted on the official bulletin board.

As a matter of interest, it may be noted that the bulletin board carries a poster identifying the Board as an Equal Opportunity Employer.

Also, the Employees' Handbook, distributed to all employees, indicates that "no one is selected or rejected on the basis of race, color, creed, religion, sex, or national origin."

It is believed that employees have a good understanding of the Board's policy of basing personnel actions solely on merit. They also are aware of the procedures available to them if they should feel, on the basis of their personal experience, that the policy has not been followed.

Complaints involving discrimination

The Board's regulations on equal employment opportunity set forth a procedure for handling complaints involving alleged discrimination. The procedure is being revised somewhat in line with provisions of the Civil Service Commission's Equal Opportunity regulations.

Review of employment policy practices

The Board has designated an Equal Employment Opportunity Officer and a deputy (the Secretary of the Board and an Assistant Secretary), whose assignments are in line with those listed in Section 713.204(d) of the U.S. Civil Service Commission Equal Opportunity regulations. Such assignments include reviewing on a continuing basis employment practices at the Board in order that any lack of equal opportunity may be detected and corrected. It is also the responsibility of the Equal Employment Opportunity Officer and his deputy to innovate ways in which the Board's equal opportunity program may be made more effective.

August 1, 1966.

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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 9
8/1/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

August 1, 1966

CONFIDENTIAL (FR)

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

Dear Mr. Swan:

The Board of Governors has approved a special Grade 16 maximum of \$21,500 in the salary structure applicable to the Head Office of the Federal Reserve Bank of San Francisco, effective August 1, 1966, as requested in your letter of July 8, 1966.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.