

Minutes for September 7, 1966

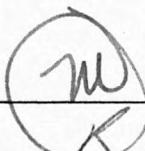
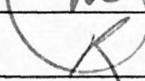
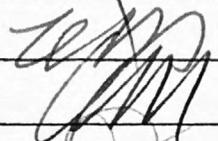
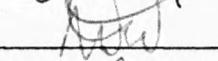
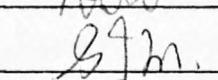
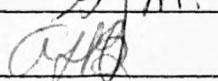
To: Members of the Board

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 Wednesday, September 7, 1966. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Bakke, 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. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and Statistics
Mr. Hexter, Associate General Counsel
Mr. Shay, Assistant General Counsel
Mr. Goodman, Assistant Director, Division of Examinations
Mr. Leavitt, Assistant Director, Division of Examinations
Mr. Dahl, Chief, Special Studies and Operations Section, Division of International Finance
Mr. Goodfellow, Review Examiner, Division of Examinations

Approved letters. The following letters, copies of which are attached under the respective item numbers indicated, were approved unanimously after consideration of background material that had been made available to the members of the Board:

	<u>Item No.</u>
Letter to United California Bank, Los Angeles, California, granting an extension of time to establish a branch in Torrance.	1

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Item No.

Letter to Morgan Guaranty International Banking Corporation, New York, New York, granting permission to purchase additional shares of Credito Bursatil, S.A., Mexico, D.F., Mexico.

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In connection with Item No. 1, Governor Shepardson noted that at times there had been instances where banks appeared to have submitted applications for permission to establish branches far in advance of actual construction, thus necessitating subsequent requests for one or more extensions of time. He expressed the view that this practice should be discouraged, particularly where it appeared that such applications were motivated by a desire on the part of the banks involved to pre-empt prime business locations. Other members of the Board expressed accord, and the staff was instructed to continue to review branch proposals carefully with this consideration in mind.

Absorption of exchange charges. At the meeting on September 6, 1966, there had been discussed a communication of August 23, 1966, from the Comptroller of the Currency to all national banks advising that national banks "have the right--if not the duty--to absorb exchange charges for their customers in the same manner and in the same amounts as . . . their non-member competition."

Pursuant to the understanding at that meeting, the staff had prepared a draft of letter to the Secretary of the Treasury pointing out that the interagency clearance procedures established by former

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Secretary of the Treasury Dillon (in a letter of March 3, 1964) and amplified by the incumbent Secretary (in a letter of June 24, 1965) had been disregarded by the Comptroller in distributing his communication, the advice in which conflicted with the Board's long-standing position on the matter of absorption of exchange charges. In light of this, the Secretary's comments were requested.

Following comments on the text of the proposed letter and suggestions for certain possible alternative approaches, during which Governor Robertson stated that he had mentioned the matter to Secretary Fowler but felt that a letter should be sent in addition, it was suggested that action be deferred until the subject of exchange absorption had been discussed by the Board with Chairman Randall and Director Sherrill of the Federal Deposit Insurance Corporation at a conference scheduled for September 8. It was agreed that this would be a desirable procedure, and that the matter would be considered further at a subsequent meeting of the Board.

Contingency planning. There had been distributed to the Federal Open Market Committee, on a limited basis, a staff memorandum of September 1, 1966, in which certain possibilities were explored with respect to open market operations in the event of a sterling crisis. The memorandum, which was an up-dated version of a staff memorandum of August 31, 1965, was scheduled for discussion at the Open Market Committee meeting on September 13, 1966.

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Governor Maisel offered certain comments on the subject matter and scope of the September 1 memorandum, following which he suggested that further staff analysis be undertaken on several points, particularly with respect to System decisions that would appear to be required in an emergency atmosphere. It was understood that Mr. Solomon (Adviser) would prepare such an analysis and that it would be considered at a subsequent time, along with certain organizational arrangements proposed in the staff memorandum.

The meeting then adjourned.

Secretary's Note: Governor Shepardson today approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Appointment

Charles Dennis, Jr., as Messenger, Division of Administrative Services, with basic annual salary at the rate of \$3,609, effective the date of entrance upon duty.

Salary increases, effective September 11, 1966

Charles C. Baker, Jr., Economist, Division of International Finance, from \$13,769 to \$14,217 per annum.

Henry F. Lee, Economist, Division of International Finance, from \$11,685 to \$12,064 per annum.

Francis D. Dargo, Assistant Federal Reserve Examiner, Division of Examinations, from \$8,740 to \$9,001 per annum.

Charla Jo Hall, Draftsman, Division of Data Processing, from \$4,776 to \$4,936 per annum.

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Transfers

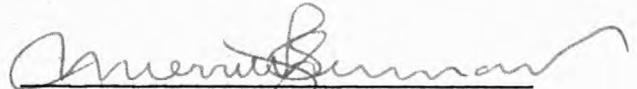
Ann Marie G. Petro, Stenographer, Division of Personnel Administration, to another stenographic position in the Division, with no change in basic annual salary at the rate of \$4,936, effective September 11, 1966.

Ruth D. Stone, from the position of Secretary in the Office of the Secretary to the position of Secretary in the Division of Personnel Administration, with an increase in basic annual salary from \$7,649 to \$8,155, effective September 11, 1966.

Acceptance of resignations

Richard A. Levitt, Summer Research Assistant, Division of Bank Operations, effective the close of business September 9, 1966.

Michael Rabinowitz, Summer Research Assistant, Division of Bank Operations, effective the close of business September 9, 1966.


Secretary

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

Item No. 1
9/7/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 7, 1966

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

Gentlemen:

The Board of Governors of the Federal Reserve System extends to June 1, 1967, the time within which United California Bank, Los Angeles, California, may establish a branch in the vicinity of Hawthorne Avenue between Carson Street and Sepulveda Boulevard, Torrance, California.

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
9/7/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 7, 1966.



Morgan Guaranty International
Banking Corporation,
23 Wall Street,
New York, New York. 10015

Gentlemen:

As requested in your letter of August 22, 1966, the Board of Governors grants consent for your Corporation to purchase and hold 12,000 additional shares, par value Mexican Pesos 100 each, of Credito Bursatil, S.A., Mexico, D.F., Mexico, at a cost of approximately US\$144,000, provided such stock is acquired within one year from the date of this letter.

In this connection, the Board also approves the purchase and holding of such shares in excess of 10 per cent of your Corporation's capital and surplus.

The foregoing consent is given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation, Morgan Guaranty Trust Company of New York, and Morgan Guaranty International Finance Corporation, will not cause the total of such loans and investments to exceed the guidelines established under the voluntary foreign credit restraint effort now in effect and that due consideration is being given to the priorities contained therein.

Very truly yours,

(Signed) Karl E. Bakke

Karl E. Bakke,
Assistant Secretary.