

Minutes for September 21, 1966

To: Members of the Board
From: Office of the Secretary

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

It is 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 10 Amendments to Supplement to Regulation Q, Payment of Interest on Deposits, relating to maximum rate on time deposits under \$100,000 and compounding of interest.

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 to indicate approval of the minutes.

Chairman Martin

Governor Robertson

Governor Shepardson

Governor Mitchell

Governor Daane

Governor Maisel

Governor Brimmer

A series of seven horizontal lines, each with handwritten initials or a signature written over it. The initials are: 1. A circled 'M' for Chairman Martin. 2. 'R' for Governor Robertson. 3. 'SJS' for Governor Shepardson. 4. 'M' for Governor Mitchell. 5. 'D' for Governor Daane. 6. 'M' for Governor Maisel. 7. 'AB' for Governor Brimmer.

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

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Bakke, Assistant Secretary
Mr. Young, Senior Adviser to the Board and
Director, Division of International Finance
Mr. Holland, Adviser to the Board
Mr. Fauver, Assistant to the Board
Mr. Brill, Director, Division of Research and
Statistics
Mr. Solomon, Director, Division of Examinations
Mr. Johnson, Director, Division of Personnel
Administration
Mr. Hexter, Associate General Counsel
Messrs. O'Connell and Shay, Assistant General
Counsel
Mr. Smith, Associate Adviser, Division of
Research and Statistics
Mr. Sammons, Associate Director, Division of
International Finance
Messrs. Daniels and Kiley, Assistant Directors,
Division of Bank Operations
Messrs. Goodman, Leavitt, and Thompson, Assistant
Directors, Division of Examinations
Mrs. Semia, Technical Assistant, Office of the
Secretary
Mr. Morgan, Staff Assistant, Board Members'
Offices
Messrs. Sanders and Via, Senior Attorneys, and
Smith and Cloth, Attorneys, Legal Division
Mr. Golden, Senior Economist, Division of Research
and Statistics
Messrs. Egertson, Maguire, and McClintock,
Supervisory Review Examiners, Division of
Examinations
Messrs. Donovan, Lyon, Poundstone, Rumbarger, and
Sanford, Review Examiners, Division of
Examinations
Miss Greene and Mr. Kline, Assistant Review Examiners,
Division of Examinations

9/21/66

-2-

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.

	<u>Item No.</u>
Letter to Washington Trust Bank, Spokane, Washington, approving the establishment of a branch in Opportunity, Spokane County.	1
Letter to Chase International Investment Corporation, New York, New York, granting permission to purchase shares of Liga Financiera, S. A., Madrid, Spain.	2
Letter to the Federal Reserve Bank of St. Louis waiving the assessment of a penalty incurred by First National Bank, Cape Girardeau, Missouri, because of a deficiency in its required reserves.	3
Letter to the Federal Reserve Bank of Philadelphia regarding a study made by the Bank of its building operating costs.	4
Letter to the Federal Reserve Bank of Boston approving an adjustment of the employee salary structure.	5
Letter to the Federal Reserve Bank of Kansas City approving adjustment of the employee salary structures applicable to the head office and branches and a special maximum of \$21,500 for Grade 16 at the head office.	6
Letter to the Presidents of all Federal Reserve Banks requesting comments on a proposed revision of the form of registration statement (F.R. Y-5) to be used by bank holding companies; notice of proposed rule making, for publication in the Federal Register, regarding the revised statement.	7-8

9/21/66

-3-

Messrs. Sammons, Goodman, and Poundstone then withdrew from the meeting.

Reports on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed merger of Kings County Lafayette Trust Company and Lafayette Safe Deposit Company, both of Brooklyn, New York, was approved unanimously for transmittal to the Corporation. The conclusion of the report stated that the proposed merger would have no effect on competition.

A report to the Comptroller of the Currency on the competitive factors involved in the proposed consolidation of American Bank and Trust Company, Suffolk, Virginia, and American National Bank of Portsmouth, Portsmouth, Virginia, was approved unanimously for transmittal to the Comptroller. The conclusion of the report stated that the proposed consolidation would not have adverse competitive effects.

Application of Ohio Citizens Trust Company. There had been distributed a memorandum dated September 8, 1966, from the Division of Examinations and other papers relating to the application of The Ohio Citizens Trust Company, Toledo, Ohio, to merge with The Whitehouse State Savings Bank, Whitehouse, Ohio. Among other things, the memorandum brought out that in March 1966 the Whitehouse bank had notified three Toledo banks and a bank in Sylvania, Ohio (The Sylvania Savings Bank Company), of its interest in receiving offers for a merger. The two largest banks in Toledo declined to make an offer and the offer of Ohio

9/21/66

-4-

Citizens Trust was accepted. The Sylvania bank's offer was \$1 per share less than the offer of Ohio Citizens Trust.

The Division recommended approval, stating that the conversion of Whitehouse State Savings Bank's two offices into branches of Ohio Citizens Trust Company would provide the Whitehouse and Holland communities with additional services and broader credit accommodations without significant adverse competitive effects. The Whitehouse-Holland area had good potential for growth as it was the most readily available area for residential development in the Toledo metropolitan area. Whitehouse State Savings did not have the financial resources to serve the potential credit needs of this area. Approximately 62 per cent of Whitehouse State Savings Bank's deposits were in time and savings accounts. It currently paid 3 per cent on savings accounts, and if it were forced to increase this rate to remain competitive in the area, its earnings prospects might be unfavorable. If the merger were approved, the Whitehouse bank's current customers would receive the more attractive rates currently offered by Ohio Citizens Trust on time and savings accounts.

The Banking Markets Section of the Division of Research and Statistics and the Legal Division recommended that the application be denied. In support of its recommendation the Banking Markets Section stated that the proposed merger would eliminate a viable independent bank that was an effective competitor and whose policies seemed closely attuned to the convenience and needs of the Whitehouse-Holland area,

9/21/66

-5-

which was considered the relevant market. The applicant and the two other large Toledo banks were now serving the Whitehouse-Holland area generally; therefore, the merging of Whitehouse State Savings Bank into Ohio Citizens Trust did not promise any improvement in convenience and needs. Moreover, the merger, by eliminating one of two non-Toledo headquartered independent banks in the county, might also affect adversely the prospects of the other independent bank. There existed a preferable alternative to the Whitehouse bank (merger with Sylvania Savings) should compelling reasons arise for merging.

The Legal Division's reasons for recommending denial were not materially different from those of the Banking Markets Section, but the Division stressed what it considered the importance of the competitive aspects of the proposal. Ohio Citizens Trust was presently the third largest commercial bank in Lucas County in terms of total deposits and, with the acquisition of the Whitehouse bank, would advance in rank from third to second in terms of total loans. Ohio Citizens Trust and the two largest banks together accounted for over 80 per cent of the total deposits and more than 75 per cent of the total loans held by the 59 banking offices of the 11 banks that operated in the Toledo metropolitan area. It was true that the proposed acquisition would not increase the concentration of banking resources by a great amount, but it was equally true that the degree of concentration was already considerable. The Legal Division cited the opinion of the Supreme Court in the Philadelphia

9/21/66

-6-

National Bank case (1963) that "if concentration is already great, the importance of preventing even slight increases in concentration and so preserving the possibility of eventual deconcentration is correspondingly great." The Court had also cautioned that it was not to be inferred that a merger that involved a less substantial increase in concentration than the Philadelphia case was not violative of section 7 of the Clayton Act. Regardless of whether the Court would deem the proposed merger of the Whitehouse bank as anticompetitive within the meaning of section 7, the Legal Division was of the view that the adverse competitive considerations outweighed the evidence that could be marshalled to show a probable benefit under the banking factors or the convenience and needs factor.

The Legal Division found no basis for concluding that the existing banking needs of the area served by the Whitehouse bank were not being met satisfactorily and without undue inconvenience, or that the area's future banking needs would not be adequately served. A contrary conclusion was compelled by the proximity to the area of offices of Ohio Citizens Trust and of other large banks, by the employment and commuting patterns, and by the fact that Ohio Citizens Trust and other large banks could establish de novo branches in the area. The Division was not persuaded that the earnings prospects of the Whitehouse bank might be poor if a de novo branch were established nearer to its immediate vicinity by one of the larger banks; the Whitehouse bank was already competing successfully

9/21/66

-7-

with the offices of larger banks. If it should face financial difficulty in the future, it seemed likely that feasible alternatives would exist that were preferable to merger with applicant.

After summary comments by Mr. Egertson, the staff responded to a number of inquiries by members of the Board centering around the questions whether merger of the Whitehouse bank with Sylvania Savings would be preferable to the present proposal, and what might be the competitive effect on banks in the Whitehouse-Holland area if one of the large Toledo banks established a de novo branch in the immediate area. As to the latter point, one consideration was whether the Whitehouse bank would be able, without ill effect, to match the higher rates on time and savings deposits that presumably would be paid by a branch of a large Toledo bank. It was also noted that the owners of the Whitehouse bank apparently wanted to get out of the banking business.

Mr. Via referred to the competitive factor report of the Department of Justice, which had expressed the view that although approval of the merger would result in the disappearance of an established independent bank and would contribute somewhat toward concentration in commercial banking in the greater Toledo area, it would not materially affect the structure of commercial banking in either of the two service areas. It seemed strange to Mr. Via that the Department had not used more pointedly adverse terms, considering the principle expressed by the Supreme Court in the Philadelphia National decision. Mr. Solomon, however, remarked

9/21/66

-8-

that the present case did not involve magnitudes comparable to those in the Philadelphia National case; and the increase in concentration that would result from the presently proposed merger was minimal.

The members of the Board then stated their positions, beginning with Governor Shepardson, who said that although conceivably it might have been preferable if the Whitehouse bank had chosen the merger offer of Sylvania Savings, such a merger proposal was not before the Board. It appeared to him that the rapidly growing Whitehouse-Holland area needed a more active, larger bank. He did not find a sufficient diminution of competition or other disadvantages to warrant overriding the favorable recommendation of the Division of Examinations. Therefore he would approve.

Governor Mitchell stated that it seemed clear that the Whitehouse bank was seeking to end its independent existence, and the question appeared to be whether through merger with Ohio Citizens or with Sylvania Savings. He believed that the analysis of service areas left something to be desired, and that the Reserve Bank's investigation had not been as thorough as it might have been. As a general statement, he did not believe the best job was being done in regard to determination of service areas. It seemed to him that the real competition in the present situation was between the Whitehouse bank and Sylvania Savings; if the Whitehouse bank were eliminated, the competitive impact could be more significant than the entry of a Toledo bank with a de novo branch. He was not

9/21/66

-9-

concerned about whether Sylvania Savings could hold its own in competition with a larger institution, in view of the quality of its management and the likely extent of preference of local people for a local institution. He did not regard the discussion of the degree of concentration of deposits in the greater Toledo area as helpful, because the Whitehouse area had little relationship to the concentration of deposits in greater Toledo. In summary, he thought the best way out of an unhappy situation probably was to approve the proposed merger on the grounds the Division of Examinations had cited.

Governor Daane remarked that he felt much the same as Governor Mitchell. While he was not sure whether or not more merit might have been found in a Sylvania Savings merger proposal, he believed the facts presented demonstrated that consummation of the proposal before the Board would not have an adverse effect on competition in the community, and as long as the Whitehouse bank's owners wanted to relinquish their interest he would approve on the basis of the reasoning of the Division of Examinations.

Governors Maisel and Brimmer and Chairman Martin also indicated that they would approve for the reasons set forth by the Division of Examinations.

Governor Robertson stated that he would disapprove. He saw no positive grounds for approval; in his view, nothing in the record indicated that the convenience and needs of the community would be better

9/21/66

-10-

served, and he agreed with the Legal Division and the Banking Markets Section in regard to the competitive aspects.

The application was thereupon approved, Governor Robertson dissenting. It was understood that an order and statement reflecting this decision would be prepared for the Board's consideration, and that a statement regarding Governor Robertson's dissent also would be prepared.

Amendments to Supplement to Regulation Q (Items 9 and 10). On September 19, 1966, the Board had tentatively decided to amend the Supplement to Regulation Q, Payment of Interest on Deposits, to reduce from 5-1/2 per cent to 5 per cent the maximum rate that might be paid by member banks on time deposits of less than \$100,000. The Supplement would also be amended to provide that the effects of compounding might be disregarded for purposes of determining the allowable rate of interest under the Regulation, but that an explicit statement of the basis of compounding must be contained in every advertisement, etc., relating to the rate offered on a time or savings deposit. Such action was contingent upon approval of H.R. 14026, which at that time had been passed by both houses of Congress and was awaiting the President's signature. The bill provided, for the Federal Reserve, expanded authorities for a term of one year in regard to maximum rates of interest on time and savings deposits, reserve requirements, and open market operations in Federal agency obligations. The provisions of the bill gave to the Federal Home Loan Bank Board, for the first time, authority to prescribe maximum rates on dividends of insured savings and loan associations.

9/21/66

-11-

It was now noted that the President had signed the bill this morning prior to the convening of this meeting of the Board, and the members of the Board were furnished copies of a draft press release that would announce the Board's action. (It was understood that the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board also would make announcements later this morning.)

Question was raised about a sentence in the draft press release stating that "The action will also help to keep the growth of commercial bank credit to a moderate pace." While several possible substitutions were offered for the word "keep," the consensus was that the word might be about as acceptable as the others mentioned, and no change was made in the sentence. Comments made by members of the Board during the discussion were to the effect that it was to be hoped that the current action would not be interpreted, by reason of the Board's statement, as either a tightening or an easing credit policy move; that the results were quite uncertain and predictions should be avoided.

In further discussion Governor Mitchell observed that he would have preferred, for reasons expressed at a previous Board meeting, that the Board provide a grandfather clause, so as to leave the banks in a better position to defend existing deposits. Governor Maisel noted that that would have been his preference also, particularly since he understood that the savings and loan associations were to be given the benefit of a grandfather clause. He inquired whether the discussion at the meeting

9/21/66

-12-

of the Board with the Federal Advisory Council yesterday might have influenced other Board members in that direction.

Chairman Martin commented that it seemed clear that there were going to be some difficulties. The question was one of the degree. He doubted personally whether the inclusion of a grandfather clause would make too much difference, and in any event it would be difficult for the Board to try to reconsider its action at this juncture.

Governor Daane expressed agreement with the Chairman's concluding comment. However, he anticipated that as a result of the action banks might be led to disgorge some part of their remaining security holdings, with resultant effects on the financial markets. He was not sure to what extent the banks would come to the discount window as an adjustment alternative, even though the Federal Reserve was receptive.

There followed comments on the estimated number of banks that might be rather severely affected, and Governor Robertson noted that the possible inclusion of a grandfather clause had been among the items discussed in the interagency consultations. There ensued comments by several of the Board members reflecting agreement with the Chairman that, other considerations aside, a move to include a grandfather clause for the banks would not be practical at this late hour.

Accordingly, amendment of the Supplement to Regulation Q in the manner that had been contemplated was approved unanimously, effective September 26, 1966, with the understanding that the press release on the

9/21/66

-13-

action would be issued at 11:00 a.m., the release to be in the form of the draft reviewed by the Board at this meeting.

A copy of the amended Supplement to Regulation Q, as transmitted to the Federal Register for publication, is attached as Item No. 9. A copy of the press statement, as issued, is attached as Item No. 10.

Messrs. Young, Holland, Fauver, Morgan, and Sanders then withdrew from the meeting.

Application of First at Orlando Corporation. There had been distributed a memorandum dated September 13, 1966, from the Division of Examinations and other pertinent papers regarding the application of First at Orlando Corporation, Orlando, Florida, to become a bank holding company through acquisition of 80 per cent or more of the voting shares of The First National Bank at Orlando, College Park National Bank at Orlando, South Orlando National Bank, First National Bank at Pine Hills (post office Orlando), and The Plaza National Bank at Orlando. The Division recommended approval, as had the Federal Reserve Bank of Atlanta, but the Banking Markets Section of the Division of Research recommended denial. The Legal Division believed a decision either to approve or deny the application would be supportable.

The Division of Examinations' memorandum pointed out that First National Bank at Orlando was affiliated with each of the four smaller banks through common majority shareholders. This group of banks held 45 per cent of the total deposits in the primary service area. As a

9/21/66

-14-

reason in support of the request to become a bank holding company, the applicant contended that although there was affiliation through common majority ownership of each of the four smaller banks and First National at Orlando at present, there was not ownership of large blocks of stock in any of the banks by a few large shareholders, and the ownership relationship could easily change if a number of individual stockholders were to sell their shares.

In explanation of its favorable recommendation the Division stated that when considering the existing affiliations, it found that the proposed acquisitions would have no significant effect on present competition or concentration. Although opinions might differ, the Division found no reasonable likelihood of the banks in the group becoming so completely disaffiliated as to place them in competition with each other in the future. On the contrary, there was no indication that the affiliations by means of common majority shareholders could be expected to terminate. Even without common majority shareholders, it was reasonable to expect that the smaller banks would continue, in effect, as satellites of First National Bank at Orlando. Based upon these considerations, it did not appear that the possibilities of lessening of concentration or increase of competition were strong enough to justify denial. It was felt that the proposal would merely serve to solidify, in holding company form, the affiliate relationships that presently existed. The Division found further that the proposed acquisitions

9/21/66

-15-

would have no significant effect on the financial and managerial resources and prospects of the banks or on the convenience and needs of the communities served.

The Banking Markets Section cited as the basis for its adverse recommendation the view that denial would prevent the existing affiliations from becoming permanently solidified. Approval of the formation of a holding company would foreclose the possibility of control over one or more of the four affiliated banks being dissipated over time, and thus would preclude the development of any degree of competition among them. The creation of an additional holding company in the Orlando market would not only solidify the present high degree of concentration but could well encourage an increase in concentration in the future. No apparent short-run benefits to the public in terms of convenience and needs would result. In the long run, however, convenience and needs might be impaired to the extent that the further development of active competition was hindered.

Mr. Lyon summarized the salient facts pertinent to the application, after which members of the Board raised a number of questions focusing principally on the import of the existing affiliation among the banks involved in the application and on the question whether or not there was a likelihood that, if the banks were not tied together more securely through a holding company organization, the existing affiliation would be disbanded.

Mr. O'Connell indicated that the Legal Division was inclined to disbelieve that the present affiliation of the banks was likely to abate,

9/21/66

-16-

with a resulting increase in competition. He thought the Board could reasonably conclude that the potential for competition among them was minimal.

Governor Maisel asked what the effect would be on the legal supportability of a decision to approve if the banks were not affiliated. He pointed out that one of the reasons cited by the applicant to justify the formation of a bank holding company was the need to cement a relationship that otherwise might be eroded by shifts of stock ownership.

Mr. O'Connell expressed the view that in the absence of the present affiliation approval of the application would be more difficult to justify. As for the apprehension of the applicant that the present ties among the banks might weaken, he believed that the larger context of the application gave some reason to doubt that there was any real likelihood of such a development.

Mr. Solomon observed that while the degree of control exercised by the principal bank in the group might diminish, that would not necessarily mean that there would be actual rivalry for business among the banks.

Governor Maisel then inquired to what extent previous decisions by the Board had been based on the existence of a chain banking situation, and Mr. O'Connell cited cases in which the Board had in effect taken the position that a particular proposal was tantamount to a reorganization in corporate form of a pre-existing affiliation and thus per se would

9/21/66

-17-

not result in elimination of competition. However, he did not recall that the Board had specifically held that the existence of chain banking warranted approval of a bank holding company application.

Governor Mitchell asked if the Board had a responsibility, when confronted by a pre-existing situation that had characteristics of monopoly, to do what it could to prevent a furtherance of that trend, and Mr. O'Connell responded that he believed the Board did have such a responsibility.

Governor Mitchell then remarked that while he found the documentation of the point inadequate, it seemed to him that the only sound basis for denial would be a finding that the situation already existing in the Orlando area was one of undue banking concentration. If so, it would appear that the proper course should be to attack the status quo rather than to consent to a change in form through which concentration would become further entrenched.

Mr. O'Connell replied that in his judgment the Board could, if it so desired, deny the application on a finding that acquisition of the shares of the banks would formalize an undue concentration that present data indicated to exist.

Governor Robertson inquired whether, if a 45 per cent control of deposits now existed in a bank holding company organization, the Board would have power under present statutes to require the divestment of a bank or banks to lessen that percentage. In reply Mr. O'Connell expressed

9/21/66

-18-

the view that the Board would not have such power, although the Department of Justice could proceed under the Clayton Act. However, if the Board found undue concentration to exist in a given situation, it would be improper for the Board to take action that would further the degree of concentration.

Governor Daane remarked that if there was in fact a possibility that the affiliations now existing among the banks would weaken, that would appear to be a plus from the standpoint of minimizing banking concentration and would therefore point toward denial of the application. Mr. Hexter added that it might be said, along the same lines, that if the application were approved, the present affiliations would be frozen and the possibility of future competition would be terminated.

Governor Maisel inquired about the relevance of the question of the degree to which banking in an area was dominated by holding companies. There was already one bank holding company with subsidiaries in the Orlando area, and as he understood it the addition of the one now seeking formation would place about 70 per cent of the market in holding company banks. Mr. O'Connell replied that in two previous cases appellate courts had held that it was proper for the Board to take into account the aggregate of banks affiliated with all bank holding companies operating in an area.

Governor Mitchell reiterated the view that there was not sufficient information at hand in regard to the question of the degree of

9/21/66

-19-

concentration in the pertinent market, yet he did not believe it was fair to deny the application on other grounds if the degree of concentration was the primary negative consideration. If the degree of concentration was pivotal to the Board's decision, he believed it important to be very sure of the ground, and therefore further studies should be made. He suggested that the Banking Markets Section work with the Division of Examinations and the Atlanta Reserve Bank to obtain additional information on this point, and that in the meantime the case be deferred.

At the request of other members of the Board, Governor Mitchell mentioned specific types of information he believed should be developed. Governor Brimmer suggested that the inquiry be broadened to try to determine whether there was any reasonable possibility that the banks in the group might become disaffiliated. Governor Maisel commented that another critical point was what the Board's attitude should be if it determined that banking concentration in the area was already excessive.

At the conclusion of the discussion it was agreed that further studies along the lines suggested by Governor Mitchell should be made, and action on the application was deferred pending those studies.

Messrs. Smith (Research), Thompson, Via, Cloth, Smith (Legal), Golden, Egertson, Maguire, McClintock, Donovan, Kline, Lyon, Rumbarger, and Sanford, and Miss Greene then withdrew from the meeting.

Memphis Branch building site (Item No. 11). There had been circulated a memorandum dated September 13, 1966, from the Division of

9/21/66

-20-

Bank Operations regarding a request from the Federal Reserve Bank of St. Louis for authority to negotiate for the purchase of a new building site for the Memphis Branch at a cost of about \$530,000. The memorandum described the site proposed to be purchased (a full city block bounded by Exchange, Second, Poplar, and Main Streets containing about 81,300 square feet) and noted that in 1965 the then President of the St. Louis Reserve Bank had discussed the need for additional space for the Memphis Branch with the Board's Committee on Organization, Compensation, and Building Plans, and subsequently had reported to the Reserve Bank's directors that the Committee had expressed no objection to the investigation of available sites for a new building. Attached to the memorandum was a draft of letter that would state that the Board would interpose no objection to negotiation by the Bank for acquisition of the proposed building site.

It was brought out in discussion that there was no doubt as to the need of the Memphis Branch for additional space; that the price for which the proposed site apparently could be purchased was favorable; and that the location of the site in an area being developed as an urban renewal project seemed to assure that the value of the property was not likely to diminish.

At the conclusion of the discussion the letter was approved unanimously. A copy is attached as Item No. 11.

Messrs. Daniels and Kiley then withdrew from the meeting.

9/21/66

-21-

Officer salary structure at New York (Item No. 12). There had been distributed a memorandum dated September 16, 1966, from the Board's Committee on Organization, Compensation, and Building Plans regarding a proposed revision of the officer salary structure at the Federal Reserve Bank of New York. It seemed to the Committee that the extent of the revisions proposed by the New York Reserve Bank presented a considerable problem when compared to salaries at other Federal Reserve Banks. To illustrate this point the memorandum cited various interbank relationships; other comparisons were shown on charts attached to the memorandum. It was recognized that officer salary ranges at the New York Bank, on the basis of nonofficial structure surveys, would be higher than at other Reserve Banks, but the extent of the difference that would be justifiable was a matter of judgment. There appeared to be adequate headroom in all of the officer groups at New York, especially in light of the fact that most officers who were in the upper quarter of each group had received substantial salary increases at the beginning of this year and probably would not be considered for a salary adjustment effective January 1, 1967. Another problem was that the proposed increase of the minimums of salary groups D and E would make it possible for the Bank to give a large number of salary adjustments in excess of the maximum of 40 per cent. (Under the "40 per cent rule" a Reserve Bank was permitted to give salary increases to no more than 40 per cent of its officers in any one year, with certain exceptions.) The Committee recommended for officer groups

9/21/66

-22-

A, B, and C upward revisions, as set out in the memorandum, that were less extensive than those proposed by the Federal Reserve Bank of New York. No revisions were recommended for groups D and E.

Governor Mitchell commented on the Committee's recommendations, with special emphasis on the degree of disparity between the officer salary ranges that had been proposed by the New York Bank and those in effect at the other Reserve Banks. The revisions recommended by the Committee were in the nature of a holding operation that would take care of the Bank's needs for the coming year. As an aid to judgment regarding longer-term problems, he suggested a full-scale review of the officer salary ranges at all Reserve Banks. He envisaged the study as beginning with comparisons of each Reserve Bank's officer salary ranges with the salaries paid by financial institutions in its community as a basis for formulating some kind of pattern that would be relatively consistent throughout the System.

Governor Brimmer expressed the view, with respect to the suggested study, that the focus on salary relationships among the Reserve Banks, although a good idea, might produce misleading conclusions. He was not sure that the relationship of officer salaries at the Federal Reserve Bank of New York to salaries paid by financial institutions in New York need be the same as the relationship between Reserve Bank salaries and commercial bank salaries in other cities. In general, however, in order to attract and hold capable officers the Reserve Banks must be able to

9/21/66

-23-

offer salaries having a reasonable relationship to salaries paid in their local communities, and it seemed well to get on with the study.

Governor Daane said that it seemed to him the Board might give consideration to approving the revisions proposed by the New York Reserve Bank rather than merely a holding operation. The Reserve Bank's directors had given careful consideration to the relationship of the Bank's officer salaries to the salaries paid by commercial banks in their community, and had concluded that the Reserve Bank was falling far behind competitively. He had in mind principally officers in group A, who were in positions of heavy responsibility and who could easily command higher salaries elsewhere. He felt that it might be preferable to accept the evaluation of the New York Reserve Bank's directors and then proceed with the survey of officer salaries over the entire System. It was highly important to keep top talent, especially in the areas most vitally related to primary System responsibilities.

Governor Mitchell observed that the compromise revisions recommended would permit all officer salary adjustments that were anticipated in the near future. Governor Maisel also concluded that the revisions recommended by the Committee would create no undue pressure at this time, and Governor Brimmer agreed that the recommendations of the Committee would meet the short-run problem.

Governor Daane then said that while he would accept, as of now, the action recommended by the Committee, he hoped that the proposed

9/21/66

-24-

survey would be pressed forward as rapidly as possible, because he thought the System was vulnerable in terms of losing its best people.

In further discussion it was suggested that the proposed survey include reexamination of the impact of the "40 per cent rule."

Governor Shepardson expressed the view that pressing salary comparability problems probably related only to a limited number of officers. Many salaries were fully competitive, yet when a range was raised all salaries within it were affected. It should be remembered that for many officer positions there were not the same kind of pressures, such as pressure to produce income, that existed in profit-making institutions.

Governor Brimmer commented that the proposed survey would be a sizable undertaking and suggested that it might be well to consider whether specialists outside the System should be engaged for the purpose.

At the conclusion of the discussion the recommendation of the Committee was approved unanimously. A copy of the letter in which the Federal Reserve Bank of New York was informed of this action is attached as Item No. 12. It was understood that the Committee would formulate plans for the survey of officer salary structures at the Reserve Banks.

Reports on meetings. Mr. Brill reported summarily on a meeting of the House Ways and Means Committee, which he had attended at Chairman Martin's request, pursuant to a request of the latter by Chairman Mills, regarding proposed legislation to implement the fiscal policy measures recommended by the President in his recent message to the Congress.

9/21/66

-25-

Governors Daane and Mitchell then commented on the recent meeting, which they had attended, of the academic consultants to the Treasury Department.

The meeting then adjourned.

Secretary's Notes: Letters were sent today to First National City Bank, New York, New York, acknowledging receipt of notice of its intent to establish the following branches: (1) an additional branch in Panama, to be located in David; and (2) an additional branch in Kingston, Jamaica. The letters noted that the expenditures required to establish the branches would be provided from available local funds.

Pursuant to the procedure approved by the Board on October 12, 1960, relating to examinations of Edge and agreement corporations by examiners for the Federal Reserve Banks of New York and Philadelphia acting as examiners for the Board of Governors, a letter was sent today to the Federal Reserve Bank of Richmond authorizing a similar arrangement in that District for examinations of Wachovia International Investment Corporation, Winston-Salem, North Carolina. A letter was also sent today to the Federal Reserve Bank of Atlanta authorizing a similar arrangement in that District for examinations of Citizens and Southern International Corporation, Atlanta, Georgia.

On September 20, 1966, Governor Shepardson approved on behalf of the Board memoranda recommending the following actions relating to the Board's staff:

Entrance salary adjustment

Jared J. Enzler, Economist, Division of Research and Statistics, at the rate of \$11,111 per annum, effective September 19, 1966 (date of entrance upon duty), rather than at the rate previously approved by the Board.

9/21/66

-26-

Transfers

Susan K. Huffman, from the position of Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of International Finance, with no change in basic annual salary at the rate of \$4,936, effective September 26, 1966.

Napoleon H. Marrow, Jr., from the position of Messenger in the Division of Administrative Services to the position of Messenger in the Board Members' Offices, with an increase in basic annual salary from \$3,731 to \$4,058, effective September 25, 1966.

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

Salary increases, effective September 25, 1966

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Office of the Secretary</u>			
Gloria J. Ogden, Secretary		\$ 5,867	\$ 6,065
Frances R. Williams, Senior Records Clerk		5,859	6,035
<u>Legal</u>			
Verna P. Ryon, Secretary		7,253	7,451
<u>Research and Statistics</u>			
Ruth E. Foster, Statistical Assistant		5,331	5,507
Nancy H. McCaslin, Technical Editor		8,218	8,479
<u>Bank Operations</u>			
E. Ralph Massey, Assistant to the Director		16,675	17,198
<u>Examinations</u>			
Jack M. Egertson, Supervisory Review Examiner		16,675	17,198

9/21/66

-27-

3531

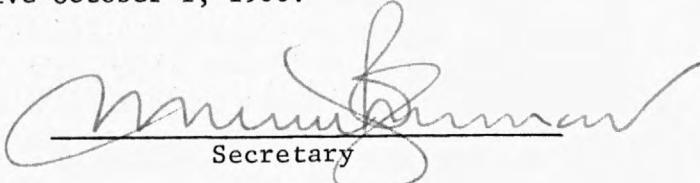
Salary increases, effective September 25, 1966 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Lois A. Chandler, Utility Clerk		\$ 5,507	\$ 5,683
Johnnie D. Jones, Jr., Laborer		3,609	3,731
Abraham Rose, Operator (Mimeograph)		4,950	5,200
George William Smith, Laborer		3,609	3,731

Data Processing

Raymond J. Collier, Assistant to the Director		16,675	17,198
Betty Lee Smithson, Programmer ("Trainee" deleted from title)		5,331	6,451

Governor Shepardson today noted on behalf of the Board a memorandum advising that Winnie L. Tull, Supervisor, Cafeteria, Division of Administrative Services, had filed application for retirement for medical reasons, effective October 1, 1966.


Secretary

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

Item No. 1
9/21/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966



Board of Directors,
Washington Trust Bank,
Spokane, Washington.

Gentlemen:

The Board of Governors of the Federal System approves the establishment by Washington Trust Bank, Spokane, Washington, of a branch on Pines Road between Riverside and Main Avenues in Opportunity, an unincorporated town, Spokane County, Washington, provided the branch is established with 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
9/21/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966.

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

Gentlemen:

In accordance with the request contained in your letter of August 22, 1966, the Board of Governors grants consent for your Corporation ("CIIC") to purchase and hold additional shares of Liga Financiera, S.A. ("LIGA"), Madrid, Spain, at a cost of approximately US\$750,000, provided such shares are 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 CIIC's capital and surplus.

The Board's consent to the proposed additional purchase and holding of shares of LIGA by CIIC is granted subject to the same conditions as set forth in its letter of March 30, 1965, as modified in its letter of August 3, 1966.

The foregoing consent is given with the understanding that the investment now being approved, combined with other foreign loans and investments of your Corporation, The Chase Manhattan Bank (National Association), and Chase Manhattan Overseas Banking 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. The Board considers that compliance with the priorities expressed in Guideline 4 would require that total nonexport credits to developed countries in Continental Western Europe not exceed the amount of such loans and investments as of the end of 1965, unless this can be done without inhibiting the bank's ability to meet all reasonable requests for priority credits within the over-all target.

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. 3
9/21/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966

Mr. Joseph C. Wotawa,
Vice President,
Federal Reserve Bank of St. Louis,
P. O. Box 442,
St. Louis, Missouri. 63166

Dear Mr. Wotawa:

This refers to your letter of August 30, 1966, regarding a deficiency of \$175,105.05 in the reserves of the First National Bank, Cape Girardeau, Missouri, for the reserve computation period ended November 24, 1965.

It is noted that (1) the deficiency occurred nine months ago and that your Bank inadvertently failed to assess a penalty at the time; (2) the omission was only recently brought to light during an examination of your Bank by the Board's examiners; (3) after deduction of the excess reserves in the succeeding reserve period, the remaining deficiency of \$165,227.68 would require a penalty of \$27.16; and (4) your Bank does not feel the penalty should be charged after nine months because of the error on its part.

In the circumstances, the Board authorizes your Bank to waive assessment of the penalty of \$27.16 for the reserve computation period ended November 24, 1965.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.





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

Item No. 4
9/21/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966.

Mr. Karl R. Bopp, President,
Federal Reserve Bank of Philadelphia,
Philadelphia, Pennsylvania. 19101.

Dear Mr. Bopp:

The study of Provision of Space costs at the Philadelphia Reserve Bank, which was forwarded with your letter of August 16, 1966, has been reviewed by the Board, which was impressed with the scope and depth of the study made by the Special Committee. The Board was particularly appreciative of the approach taken by your Bank in setting up a special group of officers to make the study, and it asked that these views be transmitted to you.

Sincerely yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Item No. 5
9/21/66

WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966



CONFIDENTIAL (FR)

Mr. George H. Ellis, President,
Federal Reserve Bank of Boston,
Boston, Massachusetts. 02106

Dear Mr. Ellis:

As requested in your letter of September 1, 1966, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structure at the Federal Reserve Bank of Boston, effective September 15:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$ 2,630	\$ 3,550
2	2,880	3,890
3	3,160	4,270
4	3,470	4,680
5	3,830	5,170
6	4,240	5,720
7	4,700	6,350
8	5,210	7,030
9	5,790	7,820
10	6,440	8,700
11	7,180	9,690
12	8,020	10,830
13	8,950	12,080
14	10,030	13,540
15	11,230	15,160
16	12,590	17,000

Salaries should be paid to employees within the limits specified for the grades in which their respective positions are classified. It is noted from your letter that all employees whose salaries are below the minimums of their grades as a result of the structure increase will be brought to appropriate ranges within 90 days after the effective date of the new structure.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 6
9/21/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966

CONFIDENTIAL (FR)

Mr. George H. Clay, President,
Federal Reserve Bank of Kansas City,
Kansas City, Missouri. 64106

Dear Mr. Clay:

As requested in your letter of August 12, the Board of Governors approves the following minimum and maximum salaries for the respective grades of the employees' salary structures at the Federal Reserve Bank of Kansas City and branches, effective September 1, 1966.

Grade	Kansas City		Denver		Oklahoma City		Omaha	
	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum	Minimum	Maximum
1	\$ 2,912	\$ 3,120	\$ 2,912	\$ 3,484	\$ 2,912	\$ 3,211	\$ 2,912	\$ 3,133
2	2,912	3,536	2,912	3,874	2,912	3,614	2,912	3,536
3	2,964	4,004	3,172	4,277	2,990	4,030	2,964	4,004
4	3,341	4,524	3,510	4,745	3,328	4,485	3,289	4,446
5	3,770	5,096	3,900	5,265	3,718	5,018	3,692	4,979
6	4,238	5,720	4,316	5,824	4,147	5,590	4,121	5,564
7	4,745	6,409	4,797	6,474	4,615	6,227	4,602	6,201
8	5,317	7,176	5,304	7,163	5,148	6,955	5,148	6,942
9	5,967	8,060	5,889	7,943	5,746	7,748	5,746	7,748
10	6,656	8,996	6,513	8,801	6,383	8,619	6,396	8,632
11	7,436	10,036	7,215	9,750	7,098	9,581	7,124	9,620
12	8,307	11,206	8,008	10,803	7,891	10,647	7,930	10,712
13	9,269	12,506	8,866	11,973	8,762	11,830	8,814	11,908
14	10,322	13,949	9,828	13,273	9,737	13,143	9,815	13,260
15	11,414	15,405	10,907	14,729	10,829	14,625	10,933	14,768
16	12,636	17,069	12,116	16,354	12,064	16,289	12,181	16,458

The Board also approved your request for a Grade 16 special maximum of \$21,500 at the Head Office, to assist in recruiting and retaining employees of the desired quality in professional level positions.

Mr. George H. Clay

-2-

Salaries should be paid to employees within the limits specified for the grades in which their respective positions are classified. All employees whose salaries are below the minimums of their grades as a result of these structure increases should be brought within appropriate ranges by December 1, 1966.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 7
9/21/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 28, 1966.

Dear Sir:

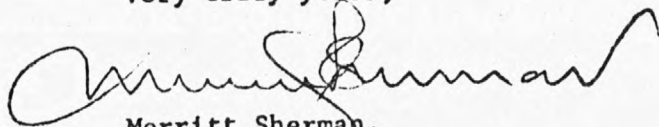
There are enclosed a memorandum relating to, and a draft of, a proposed revision of the form of registration statement (Form F.R. Y-5) to be used by bank holding companies in registering pursuant to section 5(a) of the Bank Holding Company Act of 1956, as amended. It will be appreciated if you will submit such suggestions and comments as your Bank may have regarding the proposed revision as soon as practicable, but not later than October 31, 1966.

The Board is submitting to the Federal Register a notice regarding the proposed revision which contains an invitation for comments from interested persons, also to be submitted not later than October 31 and the usual suggestion that such comments be sent to the Federal Reserve Banks. The notice, which is expected to appear in the Federal Register within the next few days, states that copies of the proposed revised form are available upon request to the Board or to any Federal Reserve Bank. A supply of 20 copies of the draft is being sent to you under separate cover.

It is suggested that your Bank furnish a copy of the proposed revision to any known bank holding company that became a bank holding company as a result of amendments to the Act and any company which has been granted approval by the Board to become a bank holding company, but which has not yet filed a registration statement. In addition to requesting its comments and suggestions, this procedure will apprise any such company as to the probable requirements for filing.

Should the Board approve the formation of any new bank holding company before the revised form is finally adopted and available for use, copies of the draft revision should be forwarded to any such company.

Very truly yours,



Merritt Sherman,
Secretary.

Enclosures

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

FEDERAL RESERVE SYSTEM

Item No. 8

[12 CFR Part 222]

9/21/66

[Reg. Y]

BANK HOLDING COMPANIES

Notice of Proposed Rule Making

The Board of Governors is considering the adoption of a revision of Form F.R.Y-5^{1/} for use by a bank holding company in registering with the Board pursuant to the Bank Holding Company Act of 1956 (12 U.S.C. 1841ff).

The proposed revised form, like its predecessor, is designed to assure that a bank holding company furnish in its registration statement the information required by section 5(a) of the Act (12 U.S.C. 1844).

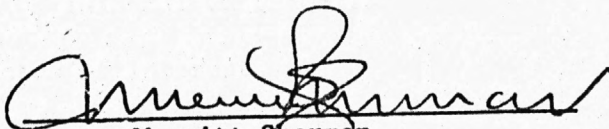
This notice is published pursuant to section 553(b) of title 5, United States Code, and section 1(b) of the Rules of Procedure of the Board of Governors of the Federal Reserve System (12 CFR 262.1(b)).

To aid in the consideration of this matter by the Board, interested persons are invited to submit relevant data, views, or arguments. Any such material should be submitted in writing to the Secretary, Board of Governors of the Federal Reserve System, Washington, D. C., 20551, to be received not later than October 31, 1966.

^{1/} Filed as part of the original document. Copies are available on request to the Board of Governors of the Federal Reserve System or to any Federal Reserve Bank.

Dated at Washington, D. C., this 28th day of September, 1966.

By order of the Board of Governors.



Merritt Sherman,
Secretary.

TITLE 12 - BANKS AND BANKING

Item No. 9
9/21/66

CHAPTER II - FEDERAL RESERVE SYSTEM

SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

[Reg. Q]

PART 217 - PAYMENT OF INTEREST ON DEPOSITS

Maximum Rates of Interest

1. Effective September 26, 1966, § 217.6 (Supplement to Regulation Q) is amended to read as follows:

§ 217.6 Maximum rates of interest payable on time and savings deposits by member banks.

Pursuant to the provisions of section 19 of the Federal Reserve Act and § 217.3, the Board of Governors of the Federal Reserve System hereby prescribes the following maximum rates ^{1/} of interest payable by member banks of the Federal Reserve System on time and savings deposits:

(a) Maximum rate of 5-1/2 per cent.--No member bank shall pay interest at a rate in excess of 5-1/2 per cent per annum on any time deposit of \$100,000 or more, subject, however, to the provisions of (b)(ii) and (c)(i), below.

(b) Maximum rate of 5 per cent.--No member bank shall pay interest at a rate in excess of 5 per cent per annum (i) on any time deposit of less than \$100,000, subject, however, to the provisions of (c)(i), below, or (ii) on any multiple maturity

^{1/} The maximum rates of interest payable by member banks of the Federal Reserve System on time and savings deposits as prescribed herein are not applicable to any deposit which is payable only at an office of a member bank located outside of the States of the United States and the District of Columbia.

time deposit that is payable only 90 days or more after the date of deposit or 90 days or more after the last preceding date on which it might have been paid.

(c) Maximum rate of 4 per cent.--No member bank shall pay interest at a rate in excess of 4 per cent per annum (i) on any multiple maturity time deposit that is payable less than 90 days after the date of deposit or less than 90 days after the last preceding date on which it might have been paid, or (ii) on any savings deposit.

In calculating the rate of interest paid, the effects of compounding of interest may be disregarded. A member bank that elects to compound interest - either at the maximum permissible rate or at a lower rate - shall state the basis of compounding (such as semiannually, quarterly, monthly, weekly, daily, or continuously) in every advertisement, announcement, solicitation, and agreement relating to the rate of interest paid on a deposit.

2a. The purpose of these amendments is to implement the interest-rate legislation signed by the President on September 21, 1966 (H.R. 14026). They reduce from 5-1/2 per cent to 5 per cent the maximum rate of interest that may be paid on time deposits of less than \$100,000 that are received on or after September 26, 1966. ("Time deposit" does not include any deposit that is payable in less than 30 days (§ 217.1).) The amendments also permit member banks slightly greater flexibility in the terms of their deposit contracts and in their operations by authorizing the compounding of interest at the applicable maximum permissible rate on any basis that the member bank may desire to adopt.

b. The requirements of section 553(b), title 5, United States Code, with respect to notice, public participation, and deferred effective date were not followed in connection with these amendments because the Board found that the general credit situation and the public interest compelled it to make the action effective no later than the date adopted.

(12 U.S.C. 248(1), 371b, and 461.)

Dated at Washington, D. C., this 21st day of September, 1966.

By order of the Board of Governors.

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

For immediate release

September 21, 1966

The Board of Governors of the Federal Reserve System reduced to 5 per cent from 5-1/2 per cent the maximum rate of interest that the System's member banks may pay on any time deposit under \$100,000. The Board's action, to become effective September 26, 1966, was taken under the new authority granted in the law signed by the President today, providing increased flexibility for establishing ceiling rates on time deposits and savings accounts at commercial banks and other depository institutions.

The purpose of the Board's action is to limit further escalation of interest rates paid in competition for consumer savings. The action will also help to keep the growth of commercial bank credit to a moderate pace.

The reduction in maximum rates on time deposits of less than \$100,000 does not, by itself, require any change in interest paid on certificates of deposit and other time deposits outstanding on the effective date. If a member bank has agreed to pay a specified rate of interest on such a deposit, without any right to modify its obligation, it may continue to pay the contract rate to maturity. If the deposit is then renewed, the rate of interest may not exceed the new ceiling.

The Board's action does not change the maximum rate payable by member banks on savings accounts, which remains at 4 per cent. The maximum rates payable on multiple-maturity time deposits, which are 4 per cent or 5 per cent depending on maturity, are also unchanged. The ceiling rate on single-maturity time deposits of over \$100,000 remains at the present level of 5-1/2 per cent.

Today's action is one of a series of measures taken by the Federal Reserve System in recent months to temper the aggressive competition for funds among commercial banks and other financial institutions, and at the same time to assure an orderly and moderate rate of growth in bank credit in order to restrain inflationary pressures. Earlier actions included a lowering of interest rate ceilings on time deposits with multiple maturities, two increases in the reserves that member banks must maintain against some of their time deposits and, more recently, a statement to member banks concerning the need to adopt lending policies that will result in slowing the growth of business loans.

Attached is the text of the amended Supplement to Regulation Q, "Payment of Interest on Deposits," implementing the Board's action.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

WASHINGTON, D. C. 20551

Item No. 11

9/21/66

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 21, 1966



Mr. Darryl R. Francis, President,
Federal Reserve Bank of St. Louis,
St. Louis, Missouri. 63166

Dear Mr. Francis:

This refers to your letter of September 9, 1966,
concerning the purchase of a proposed site for the construction
of a new building for the Memphis Branch.

The Board will interpose no objection to your Bank's
negotiating for the acquisition of the proposed new building
site and authorizes its purchase at a price of approximately
\$530,000.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

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

Item No. 12
9/21/66



ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

September 26, 1966

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

Dear Mr. Hayes:

Your letter of July 29, 1966, addressed to Governor Mitchell, proposing revised salary ranges for the salaries of officers other than President and First Vice President of your Bank, was presented by him to the Board of Governors who approved the following revisions in your official salary structure:

<u>Salary Grade</u>	<u>Present</u>	<u>Recommended</u>
A	\$26,000-\$37,500	\$26,000-\$40,000
B	\$22,500-\$32,000	\$22,500-\$34,000
C	\$19,000-\$28,500	\$20,000-\$30,000

There were no revisions approved for salary ranges in Grades D and E.

This approval would, of course, be subject to review and approval of the board of directors of your Bank.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.