
Announcements

DESIGNATIONS AND APPOINTMENTS OF CHAIRMEN AND FEDERAL RESERVE AGENTS, DEPUTY CHAIRMEN, AND DIRECTORS

The Board of Governors of the Federal Reserve System announced its appointments at the Federal Reserve Banks and branches, effective January 1, 1970. The appointments are for Chairmen, who also serve as Federal Reserve Agents, Deputy Chairmen, and directors at the Federal Reserve Banks, and for directors at the Federal Reserve branches.

Names in CAPITALS indicate NEW appointments; all others are reappointments. Brief biographic data about each of the new appointees follow the listings.

CHAIRMEN AND FEDERAL RESERVE AGENTS

(One-year terms)

Federal Reserve Bank:

Boston	JAMES S. DUESENBERY, Professor of Economics, Harvard University, Cambridge, Massachusetts.
New York	Albert L. Nickerson, former Chairman of the Board, Mobil Oil Corporation, New York, New York.
Philadelphia	Willis J. Winn, Dean, Wharton School of Finance and Commerce, University of Pennsylvania, Philadelphia, Pennsylvania.
Cleveland	Albert G. Clay, President, Clay Tobacco Company, Mt. Sterling, Kentucky.
Richmond	Wilson H. Elkins, President, University of Maryland, College Park, Maryland.
Atlanta	Edwin I. Hatch, President, Georgia Power Company, Atlanta, Georgia.
Chicago	EMERSON G. HIGDON, President, The Maytag Company, Newton, Iowa.
St. Louis	Frederic M. Peirce, Chairman of the Board and Chief Executive Officer, General American Life Insurance Company, St. Louis, Missouri.
Minneapolis	Robert F. Leach, Attorney, Oppenheimer, Hodgson, Brown, Wolff and Leach, St. Paul, Minnesota.
Kansas City	Dolph Simons, Editor, Journal-World, Lawrence, Kansas.
Dallas	Carl J. Thomsen, Senior Vice President, Texas Instruments, Incorporated, Dallas, Texas.
San Francisco	O. Meredith Wilson, President and Director, Center for Advanced Study in the Behavioral Sciences, Stanford, California.

DEPUTY CHAIRMEN

(One-year terms)

Federal Reserve Bank:

Boston	John M. Fox, President and Chairman of the Board, United Fruit Company, Boston, Massachusetts.
New York	James M. Hester, President, New York University, New York, New York.

DEPUTY CHAIRMEN—Continued

Philadelphia	Bayard L. England, Chairman of the Board, Atlantic City Electric Company, Atlantic City, New Jersey.
Cleveland	J. Ward Keener, Chairman of the Board, The B. F. Goodrich Company, Akron, Ohio.
Richmond	Robert W. Lawson, Jr., Managing Partner of Charleston Office, Steptoe & Johnson, Charleston, West Virginia.
Atlanta	John C. Wilson, President, Horne-Wilson, Inc., Atlanta, Georgia.
Chicago	WILLIAM H. FRANKLIN, President, Caterpillar Tractor Company, Peoria, Illinois.
St. Louis	Smith D. Broadbent, Jr., Owner, Broadbent Hybrid Seed Company, Cadiz, Kentucky.
Minneapolis	David M. Lilly, Chairman of the Board, Toro Manufacturing Corporation, Minneapolis, Minnesota.
Kansas City	Willard D. Hosford, Jr., Vice President and General Manager, John Deere Company, Omaha, Nebraska.
Dallas	CHAS. F. JONES, President, Humble Oil & Refining Company, Houston, Texas.
San Francisco	S. Alfred Halgren, Senior Vice President, Carnation Company, Los Angeles, California.

FEDERAL RESERVE BANK DIRECTORS ¹
(Three-year terms)

Boston	LOUIS W. CABOT, Chairman of the Board, Cabot Corporation, Boston, Massachusetts.
New York	Albert L. Nickerson (see above).
Philadelphia	Bayard L. England (see above).
Cleveland	Albert G. Clay (see above).
Richmond	Robert W. Lawson (see above).
Atlanta	F. EVANS FARWELL, President, Milliken & Farwell, Inc., New Orleans, Louisiana.
Chicago	Emerson G. Higdon (see above).
St. Louis	Sam Cooper, President, HumKo Products, Division of Kraftco Corporation, Memphis, Tennessee.
Minneapolis	David M. Lilly (see above).
Kansas City	Willard D. Hosford, Jr. (see above).
Dallas	PHILIP G. HOFFMAN, President, University of Houston, Houston, Texas.
San Francisco	S. Alfred Halgren (see above).

¹ Each Federal Reserve Bank has a board of directors consisting of nine members, divided equally into three classes, known as Classes A, B, and C. The six A and B directors are elected by the member banks, and the three C directors are appointed by the Board

of Governors. One term in each class of directors expires at the end of each year.

The Board of Governors designates the Chairmen and Deputy Chairmen from among the Class C directors. Each Chairman also serves as the Federal Reserve Agent at his Bank.

FEDERAL RESERVE BANK BRANCH DIRECTORS ²
(Three-year terms unless otherwise indicated)

*Federal Reserve Bank
and Branch:*

New York

Buffalo

MORTON ADAMS, General Manager, Pro-Fac Cooperative Inc., Rochester, New York.

Cleveland

Cincinnati

Phillip R. Shriver, President, Miami University, Oxford, Ohio.

Pittsburgh

Lawrence E. Walkley, President and Chief Executive Officer, Westinghouse Air Brake Company, Pittsburgh, Pennsylvania.

Richmond

Baltimore

Arnold J. Kleff, Jr., Manager, Baltimore Refinery, American Smelting and Refining Company, Baltimore, Maryland.

Charlotte

E. CRAIG WALL, Sr., Chairman of the Board, Canal Industries, Inc., Conway, South Carolina.

Atlanta

Birmingham

E. STANLEY ROBBINS, President, National Floor Products Company, Inc., Florence, Alabama.

Jacksonville

Henry K. Stanford, President, University of Miami, Coral Gables, Florida.

Nashville

ROY J. FISHER, Manager, Tennessee Operations, Aluminum Company of America, Alcoa, Tennessee.

New Orleans

D. BEN KLEINPETER, Wholesale Manager, Kleinpeter Farms Dairy, Inc., Baton Rouge, Louisiana.

Chicago

Detroit

WILLIAM M. DEFOE, Chairman of the Board, Defoe Shipbuilding Company, Bay City, Michigan.

St. Louis

Little Rock

Jake Hartz, Jr., President, Jacob Hartz Seed Company, Inc., Stuttgart, Arkansas.

Louisville

John G. Beam, President, Thomas Industries, Inc., Louisville, Kentucky.

Memphis

William L. Giles, President, Mississippi State University, State College, Mississippi.

² Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of

Governors of the Federal Reserve System. The announcement of the appointments of branch directors made by the Federal Reserve Banks is published on page 102.

FEDERAL RESERVE BANK BRANCH DIRECTORS—Continued

<i>Minneapolis</i> (2-year term)	
Helena	WILLIAM A. CORDINGLEY, Publisher, Great Falls Tribune, Great Falls, Montana.
<i>Kansas City</i> (2-year terms)	
Denver	Cris Dobbins, Chairman of the Board and President, Ideal Basic Industries, Inc., Denver, Colorado.
Oklahoma City	C. W. Flint, Jr., Chairman of the Board, Flint Steel Corporation, Tulsa, Oklahoma.
Omaha	A. James Ebel, Vice President and General Manager, Cornhusker Television Corporation, Lincoln, Nebraska.
<i>Dallas</i>	
El Paso	ALLAN B. BOWMAN, President and General Manager, Banner Mining Company, Tucson, Arizona.
Houston	Geo. T. Morse, Jr., President and General Manager, Peden Iron and Steel Company, Houston, Texas.
San Antonio	W. A. Belcher, Veterinarian and Rancher, Brackettville, Texas.
<i>San Francisco</i>	
Los Angeles	Leland D. Pratt, President, Kelco Company, San Diego, California.
(2-year terms)	
Portland	Frank Anderson, Farmer, Heppner, Oregon.
Salt Lake City	Royden G. Derrick, President and General Manager, Western Steel Company, Salt Lake City, Utah.
Seattle	FRANCIS G. CRANE, Owner-Manager, Crane and Crane Orchards and Cold Storage, Brewster, Washington.

Federal Reserve Bank of Boston

JAMES S. DUESENBERY, Cambridge, Massachusetts, who has been serving as a Board-appointed director of the Federal Reserve Bank of Boston since January 1, 1969, was designated Chairman of the Bank for the year 1970. Mr. Duesenberry is Professor of Economics at Harvard University in Cambridge. As Chairman he succeeds Howard W. Johnson, President of Massachusetts Institute of Technology, Cambridge, Massachusetts, whose terms as Chairman and as a director expired December 31, 1969.

LOUIS W. CABOT, Boston, Massachusetts, was appointed a Class C director of the Federal Reserve Bank of Boston for a three-year term beginning January 1, 1970. Mr. Cabot is Chairman of the Board of Cabot Corporation in Boston. As a director he succeeds Howard W. Johnson (see preceding paragraph).

Federal Reserve Bank of New York

MORTON ADAMS, Rochester, New York, was appointed a director of the Buffalo Branch of the Federal Reserve Bank of New York for a three-year term beginning January 1, 1970. Mr. Adams is General Manager of Pro-Fac Cooperative Inc., in Rochester. As a director he succeeds Gerald F. Britt, President of L-Brooke Farms, Inc., Byron, New York, whose term expired December 31, 1969.

Federal Reserve Bank of Richmond

E. CRAIG WALL, Sr., Conway, South Carolina, was appointed a director of the Charlotte Branch of the Federal Reserve Bank of Richmond for a three-year term beginning January 1, 1970. Mr. Wall is Chairman of the Board of Canal Industries, Inc., in Conway. As a director he succeeds James A. Morris, Commissioner of The South Carolina Commission on Higher Education, Columbia, South Carolina, whose term expired December 31, 1969.

Federal Reserve Bank of Atlanta

F. EVANS FARWELL, New Orleans, Louisiana, was appointed a Class C director of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1970. Mr. Farwell is

President of Milliken & Farwell, Inc., in New Orleans. As a director he succeeds John A. Hunter, President of Louisiana State University, Baton Rouge, Louisiana, whose term expired December 31, 1969.

E. STANLEY ROBBINS, Florence, Alabama, was appointed a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1970. Mr. Robbins is President of National Floor Products Company, Inc., in Florence. As a director he succeeds Mays E. Montgomery, General Manager of Dixie Home Feeds Company, Athens, Alabama, whose term expired December 31, 1969.

ROY J. FISHER, Alcoa, Tennessee, was appointed a director of the Nashville Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1970. Mr. Fisher is Manager of Tennessee Operations for the Aluminum Company of America in Alcoa. As a director he succeeds James E. Ward, Chairman of the Board of Baird-Ward Printing Company, Nashville, Tennessee, whose term expired December 31, 1969.

D. BEN KLEINPETER, Baton Rouge, Louisiana, was appointed a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1970. Mr. Kleinpeter is Wholesale Manager of Kleinpeter Farms Dairy, Inc., in Baton Rouge. As a director he succeeds George B. Blair, General Manager of American Rice Growers Cooperative Association, Lake Charles, Louisiana, whose term expired December 31, 1969.

Federal Reserve Bank of Chicago

EMERSON G. HIGDON, Newton, Iowa, who had been serving as Deputy Chairman since January 1, 1969, and has been a Board-appointed director of the Federal Reserve Bank of Chicago since January 1, 1967, was designated Chairman of the Bank for the year 1970. Mr. Higdon is President of The Maytag Company in Newton. As Chairman he succeeds Franklin J. Lunding, Chairman of the Finance Committee of Jewel Companies, Inc., Melrose Park, Illinois, whose term as Chairman expired December 31, 1969.

WILLIAM H. FRANKLIN, Peoria, Illinois, who has been serving as a Board-appointed di-

rector of the Federal Reserve Bank of Chicago since January 1, 1969, was appointed Deputy Chairman of the Bank for the year 1970. Mr. Franklin is President of Caterpillar Tractor Company in Peoria. As Deputy Chairman he succeeds Emerson G. Higdon (see preceding paragraph).

WILLIAM M. DEFOE, Bay City, Michigan, was appointed a director of the Detroit Branch of the Federal Reserve Bank of Chicago for a three-year term beginning January 1, 1970. Mr. Defoe is Chairman of the Board of Defoe Shipbuilding Company in Bay City. As a director he succeeds Max P. Heavenrich, Jr., President of Heavenrich Bros. and Company, Saginaw, Michigan, whose term expired December 31, 1969.

Federal Reserve Bank of Minneapolis

WILLIAM A. CORDINGLEY, Great Falls, Montana, was appointed a director of the Helena Branch of the Federal Reserve Bank of Minneapolis for a two-year term beginning January 1, 1970. Mr. Cordingley is Publisher of the Great Falls Tribune in Great Falls. As a director he succeeds Edwin G. Koch, President of Montana College of Mineral Science and Technology, Butte, Montana, whose term expired December 31, 1969.

Federal Reserve Bank of Dallas

CHAS F. JONES, Houston, Texas, who has been serving as a Board-appointed director of the Federal Reserve Bank of Dallas since October 22, 1968, was appointed Deputy Chairman of the

Bank for the year 1970. Dr. Jones is President of Humble Oil & Refining Company, in Houston. As Deputy Chairman he succeeds Max Levine, retired Chairman of the Board of Foley's in Houston, whose terms as Deputy Chairman and as a director expired December 31, 1969.

PHILIP G. HOFFMAN, Houston, Texas, was appointed a Class C director of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1970. Dr. Hoffman is President of the University of Houston. As a director he succeeds Max Levine (see preceding paragraph).

ALLAN B. BOWMAN, Tucson, Arizona, was appointed a director of the El Paso Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1970. Mr. Bowman is President and General Manager of Banner Mining Company in Tucson. As a director he succeeds C. Robert McNally, Jr., a rancher at Roswell, New Mexico, whose term expired December 31, 1969.

Federal Reserve Bank of San Francisco

FRANCIS G. CRANE, Brewster, Washington, was appointed a director of Seattle Branch of the Federal Reserve Bank of San Francisco for a two-year term beginning January 1, 1970. Mr. Crane is Owner-Manager of Crane and Crane Orchards and Cold Storage in Brewster. As a director he succeeds William McGregor, Vice President of McGregor Land and Livestock Company, Hooper, Washington, whose term expired December 31, 1969.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS¹

The Federal Reserve Banks have announced the following appointments of branch directors. The appointments have been made for terms of three years beginning January 1, 1970 except as otherwise indicated.

Federal Reserve Bank
and Branch:

New York
Buffalo

DAVID J. LAUB, President and Chief Executive Officer, Marine Midland Trust Company of Western New York, Buffalo, New York, succeeds E. Perry Spink, Chairman of the Board, Liberty National Bank and Trust Company, Buffalo, New York.

Cleveland
Cincinnati

EDWARD W. BARKER, President, First National Bank, Middletown, Ohio, succeeds Robert J. Barth, President, The First National Bank, Dayton, Ohio.

FRED O. MacFEE, JR., Vice President and General Manager, Aircraft Engine Operating Division, General Electric Company, Evendale, Ohio, succeeds John W. Humphrey, Chairman of the Board, The Philip Carey Manufacturing Company, Cincinnati, Ohio.

Pittsburgh

ROBINSON F. BARKER, Chairman of the Board and Chief Executive Officer, PPG Industries, Pittsburgh, Pennsylvania, succeeds Charles M. Beeghly, Chairman of the Executive Committee, Jones and Laughlin Steel Corporation, Pittsburgh, Pennsylvania.

JACK W. BINGHAM, President, The Merchants & Manufacturers National Bank, Sharon, Pennsylvania, succeeds Thomas L. Wentling, President, First National Bank of Westmoreland, Greensburg, Pennsylvania.

Richmond
Baltimore

J. R. CHAFFINCH, JR., Executive Vice President, The Denton National Bank, Denton, Maryland, succeeds John P. Sippel, President, The Citizens National Bank, Laurel, Maryland.

Charlotte

J. WILLIS CANTEY, President, The Citizens and Southern National Bank, Columbia, South Carolina. (Reappointed)

Atlanta
Birmingham

HARVEY TERRELL, Chairman of the Board, The First National Bank of Birmingham, Alabama, succeeds Will T. Cothran, Chairman of the Board, Birmingham Trust National Bank, Birmingham, Alabama.

Jacksonville

JAMES G. RICHARDSON, Chairman of the Board and President, The Commercial Bank and Trust Company of Ocala, Florida, succeeds L. V. Chappell, President, First National Bank, Clearwater, Florida.

¹Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of

Governors of the Federal Reserve System. The announcement of appointments of branch directors made by the Board of Governors is published on page 98.

Atlanta—Continued

Nashville

EDWARD C. HUFFMAN, Chairman of the Board and President, First National Bank, Shelbyville, Tennessee, succeeds Andrew Benedict, Chairman of the Board, First American National Bank, Nashville, Tennessee.

New Orleans

H. P. HEIDELBERG, JR., President, Pascagoula-Moss Point Bank, Pascagoula, Mississippi, succeeds A. L. Gottsche, Executive Vice President, First Mississippi National Bank, Biloxi, Mississippi.

Chicago

Detroit

ROLAND A. MEWHORT, Chairman of the Board, Manufacturers National Bank, Detroit, Michigan, succeeds John H. French, Jr., President, City National Bank, Detroit, Michigan.

GEORGE L. WHYEL, President, Genesee Bank, Flint, Michigan. (Reappointed)

St. Louis

Little Rock

ELLIS E. SHELTON, President, The First National Bank, Fayetteville, Arkansas. (Reappointed)

WAYNE A. STONE, President, Simmons First National Bank, Pine Bluff, Arkansas. (Reappointed)

Louisville

JAMES C. ZIMMERMAN, Executive Vice President, The Owensboro National Bank, Owensboro, Kentucky, succeeds Wm. G. Deatherage, President, Planters Bank & Trust Co., Hopkinsville, Kentucky.

PAUL CHASE, President, The Bedford National Bank, Bedford, Indiana. (Reappointed)

Memphis

JAMES R. FITZHUGH, Executive Vice President, Bank of Ripley, Tennessee, succeeds Con T. Welch, President, Citizens Bank, Savannah, Tennessee.

LEWIS K. MCKEE, Chairman of the Board, National Bank of Commerce, Memphis, Tennessee, succeeds Allen Morgan, Chairman of the Board, The First National Bank, Memphis, Tennessee.

Minneapolis (2-year term)

Helena

RICHARD D. RUBIE, Chairman of the Board and President, Missoula Bank of Montana, Missoula, Montana, succeeds B. Meyer Harris, President, The Yellowstone Bank, Laurel, Montana.

Kansas City (2-year terms)

Denver

ARMIN B. BARNEY, Chairman of the Board, The Colorado Springs National Bank, Colorado Springs, Colorado. (Reappointed)

Kansas City—Continued
Oklahoma City

W. H. McDONALD, Chairman of the Executive Committee, The First National Bank and Trust Company of Oklahoma City, Oklahoma, succeeds Howard J. Bozarth, Vice Chairman of the Board, The Fidelity National Bank and Trust Company, Oklahoma City, Oklahoma.

Omaha

JOHN W. HAY, JR., President, Rock Springs National Bank, Rock Springs, Wyoming. (Reappointed)

S. N. WOHLBACH, President, First National Bank, Grand Island, Nebraska. (Reappointed)

Dallas

El Paso

SAM D. YOUNG, JR., President, El Paso National Bank, El Paso, Texas, succeeds Robert W. Heyer, Consultant, Southern Arizona Bank & Trust Company, Tucson, Arizona.

ARCHIE B. SCOTT, President, The Security State Bank, Pecos, Texas. (Reappointed)

Houston

W. G. THORNELL, President, The First National Bank, Port Arthur, Texas. (Reappointed)

JOHN E. WHITMORE, Chairman of the Board, Texas National Bank of Commerce, Houston, Texas. (Reappointed)

San Antonio

W. O. ROBERSON, President, First National Bank, Brownsville, Texas, succeeds J. R. Thornton, Chairman of the Board and President, State Bank and Trust Company, San Marcos, Texas.

T. C. FROST, JR., President, The Frost National Bank, San Antonio, Texas. (Reappointed)

San Francisco (2-year terms)

Los Angeles

SHERMAN HAZELTINE, Chairman of the Board, First National Bank of Arizona, Phoenix, Arizona. (Reappointed)

Portland

RALPH J. VOSS, President, First National Bank of Oregon, Portland, Oregon. (Reappointed)

Salt Lake City

WILLIAM E. IRVIN, President, The Idaho First National Bank, Boise, Idaho. (Reappointed)

Seattle

JOSEPH C. BAILLARGEON, Chairman of the Board, Seattle Trust & Savings Bank, Seattle, Washington, succeeds Maxwell Carlson, President, The National Bank of Commerce, Seattle.

CHANGES IN BOARD STAFF

The Board of Governors announced the following official staff promotions and appointments, effective January 1, 1970:

Normand R. V. Bernard was appointed an Assistant Secretary and Gordon B. Grimwood was appointed Defense Planning Coordinator and Assistant Secretary.

Mr. Bernard joined the Board's staff as an economist in the Government Finance Section, Division of Research and Statistics, in June 1962 and transferred to the Secretary's Office in January 1968 with principal responsibility in the Federal Open Market Committee area. He holds a B.A. from Assumption College, Worcester, Massachusetts, and M.A. and Ph.D. degrees from Boston College. Prior to his Board service, he was an Instructor at Boston College.

Since joining the Board's staff in May 1941, Mr. Grimwood has held positions in the Office of the Secretary, Division of Research and Statistics, Division of International Finance, and the Office of Defense Planning. Prior to his appointment, he had been the Assistant to the Director of the Division of International Finance.

Murray S. Wernick, Associate Adviser, and Bernard Shull, Assistant Adviser, in the Division of Research and Statistics, were promoted to Adviser and Associate Adviser, respectively.

In addition, James L. Pierce and Stephen P. Taylor were appointed Assistant Advisers in the Division of Research and Statistics. Both will continue to serve also in their former capacities: Mr. Pierce as Chief of the Special Studies Section and Mr. Taylor as Chief of the Flow of Funds Section.

Mr. Pierce holds a Ph.D. from the University of California at Berkeley. Before his appointment to the Board's staff in August 1965, he was an Assistant Professor of Economics at Yale University and a staff member of the Cowles Foundation for Research in Economics.

Mr. Taylor joined the Board's staff in May 1953 as an economist in the Division of Research and Statistics. He had previously been with the Office of Business Economics, U.S. Department of Commerce. Mr. Taylor has an M.B.A. from the Graduate School of Business, Columbia University.

Donald E. Anderson was appointed an Assistant Director in the Division of Administrative Services. Prior to joining the Board's staff as a Project Representative for Construction in September 1968, Mr. Anderson was president of the Ander-

son Electric Co., a Washington-based electrical contracting firm.

INCREASE IN INTEREST RATES AND PROPOSED CHANGE IN RESERVE REQUIREMENTS

The Board of Governors of the Federal Reserve System announced on January 20, 1970, an upward realignment of maximum interest rates that member commercial banks may pay on time and savings deposits. At the same time, the Board published for comment a proposed rule applying reserve requirements to certain types of bank-related commercial paper. The interest-rate changes became effective January 21 while the proposed action on commercial paper, if adopted, would become effective as of February 26.

The dual moves were taken within the framework of continued over-all credit restraint and were based on these considerations: a rebalancing of the Board's regulatory structure in the light of recently expanded authority in this field and developments in financial markets; a readjustment of the structure of maximum interest rates payable by commercial banks for deposits to bring it somewhat more in line with going yields on market securities; the need for greater equity in the rates that may be paid for smaller savings balances; and a desire to encourage longer-term savings in reinforcement of anti-inflationary measures.

The revisions in the Board's Regulation Q ceiling rates were held to moderate size, so as not to foster sudden and large movements of funds into the banking system that could cause distortions in traditional financial flows or lead to an upsurge in the volume of bank lending.

The revisions were made after consultation with the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board, which have parallel regulatory authority over the maximum interest rates that may be paid by insured State nonmember banks, mutual savings banks, and savings and loan associations.

In taking the actions announced, the Board of Governors expressed its belief that higher rates paid to savers by institutions generally would increase the pool of savings for investment in mortgages.

The change in the maximum interest rates payable on time and savings deposits is the first since April 19, 1968, when maximum interest rates on deposits of \$100,000 or more were increased.

In the action, the Board raised from 4 to 4.5 per cent the maximum rate national and State member banks may pay on passbook savings, the first change in this rate since November 24, 1964. The Board

also approved the following maximum rate structure for other types of consumer-type deposits—those of less than \$100,000:

Maturity	Maximum rate (%)	
	New	Previous
30-89 days multiple maturity ¹	4.50	4.00
90 days and over multiple maturity ¹	5.00	5.00
30 days-1 year single maturity	5.00	5.00
1 to 2 year single maturity	5.50	5.00
2 years or more single maturity	5.75	5.00

¹Multiple-maturity time deposits include deposits that are automatically renewable at maturity without action by the depositor and deposits that are payable after written notice of withdrawal.

Previously, there was no provision in Regulation Q for an interest rate above 5 per cent on consumer-type deposits. The 1-year and 2-year instruments that may now be offered by member banks at the 5.50 per cent and 5.75 per cent maximum rates, respectively, must be single-dated maturities.

The Board also approved the following schedule of maximum rates that member commercial banks may pay on time deposits of \$100,000 or more:

Maturity	Maximum rate (%)	
	New	Previous
30-59 days	6.25	5.50
60-89 days	6.50	5.75
90-179 days	6.75	6.00
180 days to 1 year	7.00	6.25
1 year or more	7.50	6.25

In proposing to use new legislative authority for the first time, the Board said it is considering a 10 per cent reserve requirement on funds obtained by member banks through the issuance of commercial paper or similar obligations by bank affiliates, including a member bank's parent company—either a one-bank holding company or a company registered under the Bank Holding Company Act.

On October 29, 1969, the Board announced that it was considering amending its rules governing the payment of interest on deposits to apply to funds received by member banks from the issuance of commercial paper by bank affiliates or by a parent holding company. Subsequently, the Act of December 23, 1969, explicitly authorized the Board to apply reserve requirements to such obligations. Accordingly, the Board has withheld action in applying interest-rate ceilings to bank-related commercial paper while it is considering amending its rules to apply reserve requirements to the same type paper. Comments on this proposal should be received by the Board by February 16.

Commercial paper issued by bank holding companies or their affiliates has grown substantially during the last several months, totaling about \$4 billion at the end of December compared with a total

commercial paper market of about \$33 billion.

Governor Robertson dissented from the action increasing the maximum rates payable on time deposits of \$100,000 or more. Governor Sherrill was not present.

EARNINGS AND EXPENSES OF THE FEDERAL RESERVE BANKS IN 1969 AND 1968

Preliminary figures received from the Federal Reserve Banks indicate that during 1969 their gross current earnings amounted to \$3,373 million. Expenses totaled \$275 million, leaving net current earnings of \$3,098 million. With a \$1 million net deduction from profit and loss account, net earnings before payments to the U.S. Treasury were \$3,097 million. Payments to the U.S. Treasury as interest on Federal Reserve notes amounted to \$3,019 million; statutory dividends to member banks, \$39 million; and additions to surplus accounts, \$39 million.

Under the policy adopted by the Board of Governors at the end of 1964, all net earnings after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital were paid to the U.S. Treasury as interest on Federal Reserve notes.

Compared with 1968, gross earnings were up \$609 million, or 22 per cent. The principal increases in earnings were as follows: on Government securities, \$527 million; on discounts and advances, \$36 million; and on foreign currencies, \$45 million.

Expenses in 1969 were up \$33 million, about 13 per cent, and dividends, \$2 million.

Item	1969	1968
	Thousands of dollars	
Current earnings	3,373,360	2,764,446
Current expenses	274,973	242,350
Current net earnings	3,098,387	2,522,096
Net addition to or deduction from (-) current net earnings	-557	8,520
Net earnings before payments to U.S. Treasury	3,097,830	2,530,616
Dividends paid	39,237	36,960
Payments to U.S. Treasury (interest on F.R. notes)	3,019,161	2,463,629
Transferred to surplus	39,432	30,027

ARRANGEMENTS RELATING TO SALES OF GOLD BY SOUTH AFRICA TO THE INTERNATIONAL MONETARY FUND

Under the two-tier gold system established at a meeting in Washington on March 16-17, 1968, by the central bank governors of seven countries (Federal Reserve BULLETIN, March 1968, p. 254), central banks throughout the world have generally neither sold gold in private gold markets nor bought gold there. Since that time the question of appropriate arrangements for the sale of gold by South Africa within the framework of the two-tier system has been discussed among officials of the United States, South Africa, certain other countries, and the International Monetary Fund.

In December 1969 agreement was reached on this question. The agreement was embodied in a decision by the IMF. The IMF statement announcing the decision and letters to the IMF from South African and U.S. authorities are reproduced below.

IMF ANNOUNCEMENT

After noting a policy statement of South Africa with respect to the sale of gold and the handling of its reserves, the International Monetary Fund today decided that it will buy gold offered to it by South Africa whenever the latter indicates that the offer is in accordance with this statement.

Under this policy, South Africa may offer to sell gold to the Fund when the market price of gold falls to \$35 per fine ounce or below, in amounts necessary to meet current foreign exchange needs during any such period. Further, South Africa may sell gold to the Fund, regardless of the price in the private market, to the extent that South Africa has a need for foreign exchange over a semiannual period beyond the need that can be satisfied by the sale of all current new gold production in the private market.

At the same time South Africa intends to sell its current production of gold in an orderly manner in the private market to the full extent of current payments needs. However, South Africa may offer to sell gold up to \$35 million quarterly beginning January 1, 1970 from the stock of gold it held on March 17, 1968, reduced by sales it made to monetary authorities (including Fund-related transactions) after that date and also by such future sales to monetary authorities as it may make to finance deficits or as a result of Fund-related transactions.

South Africa would also continue to use gold in accordance with the Articles and past decisions of

the Fund whenever the occasion would arise, for example, to pay charges, to make repurchases of the Fund's holdings of rand or to pay the gold subscription arising from any increase in South Africa's quota. South Africa has stated that South African rand purchased by other Fund members in accordance with Fund procedures would generally be converted into gold by South Africa on the request for conversion of the member purchasing the rand from the Fund. The announced policy also envisages that South Africa may offer to sell gold to the Fund to obtain currency when South Africa is designated by the Fund under the Articles to receive special drawing rights from another participant in return for currency to be provided by South Africa to the participant that is using its special *drawing rights*. These Fund-related sales of gold will not affect the volume of sales of newly-mined gold in the market.

The Fund decision, which is taken without prejudice to the determination of the legal position under the Fund's Articles of Agreement, is to be reviewed whenever requested because of a major change in circumstances and in any event after five years. The Fund also has accepted at this time an offer previously made by South Africa to sell gold to the Fund in return for 14.5 million pounds sterling.

South Africa has also stated that when selling gold other than in the private market it intends in practice normally to offer such gold to the Fund. The Fund took the decision to purchase gold from South Africa with the understanding that members generally do not intend to initiate gold purchases directly from South Africa. Gold sold to the Fund can be used by it whenever the Fund deems it necessary to replenish its holdings of member currencies.

Ordinarily, sales of gold to the Fund by South Africa will be subject to a charge of one-quarter of one per cent.

SOUTH AFRICAN LETTER

MINISTRY OF FINANCE
PRETORIA

23rd December, 1969

Dear Mr. Schweitzer,

As you know, for some time the Republic of South Africa has been discussing with the United States, with other members, and with you procedures for the orderly sale of newly-mined gold in the market and the sale of gold to the International Monetary Fund. I wish to inform you that as a re-

sult of these discussions, the South African authorities have adopted a policy with respect to gold sales and I would like to request that the Fund confirm that it will be prepared in the light of this statement of policy to buy gold from South Africa in the circumstances and under the conditions set forth below.

The following are the intentions of the South African authorities as to the handling of newly-mined gold and reserves.

- (1) Without prejudice to the determination of the legal position under the Articles of Agreement of the Fund, the South African authorities may offer to sell gold to the Fund for the currencies of other members at the price of 35 Dollars per ounce, less a handling charge, as follows:
 - (a) During periods when the market price of gold falls to 35 dollars per ounce or below, at which times offers to sell gold to the Fund under this paragraph (a) would be limited to amounts required to meet current foreign exchange needs, and
 - (b) regardless of the price in the private market, up to the extent that South Africa experiences needs for foreign exchange over semi-annual periods beyond those which can be satisfied by the sale of all current new gold production on the private market or by sales to the Fund under paragraph (1)(a) above.
- (2) (a) The South African authorities intend to sell current production of newly-mined gold in an orderly manner on the private market to the full extent of current payments needs. It is anticipated that new production in excess of those needs during a semi-annual period may be added to reserves.
 - (b) When selling gold other than in the private market, the South African authorities intend in practice normally to offer such gold to the Fund.
 - (c) The South African authorities may use gold in normal Fund transactions, e.g. in repurchase of appropriate drawings from the Fund, and to cover the gold portion of any South African quota increase, and to obtain currency convertible in fact to exchange against special drawing rights for which South Africa is designated by the Fund. Rand drawn from the Fund by other members would generally be converted into gold

when Rand are included in drawings under normal Fund procedures. These Fund-related transactions, which may take place without regard to the market price of gold, will be reflected by changes in the composition of South Africa's reserves but will not affect the volume of sales of newly-mined gold in the market.

- (3) Notwithstanding paragraphs (1)(b) and (2)(a) above, the amount of gold held by South Africa on March 17, 1968, reduced by sales by South Africa to monetary authorities (including Fund-related transactions) after that date and further reduced by such future sales to monetary authorities as may be made to finance deficits or as a result of Fund-related transactions, will be available for such additional monetary sales as the South African authorities may determine, up to 35 million Dollars quarterly beginning January 1, 1970. It is also contemplated that as an implementation of this understanding, the Fund would agree to purchase the amount of gold offered to it by South Africa in May 1968.

In order to determine whether South Africa has balance of payments surpluses or deficits as well as to indicate other operational and procedural points with respect to this policy, I enclose a memorandum which clarifies these particular matters.

It would be appreciated if, in the light of these policy intentions, the Fund were able to decide that it would purchase gold from South Africa in the circumstances outlined above. I would expect that the Fund would review the situation at any time if there were a major change in circumstances and in any event after five years.

The South African authorities will work out with the Managing Director consultation procedures on the currencies to be purchased from the Fund with gold.

I hope that this announced policy, the implementation of which I believe will be a contribution to the stability of the International Monetary System, and my suggestion meet with the concurrence of the Fund. A copy of this letter has been sent to the Secretary of the Treasury of the United States.

Yours sincerely,
/s/ (N. Diederichs)
Minister of Finance
Republic of South Africa

The Managing Director
International Monetary Fund

Operational and Procedural Points

- A. For the present purposes, balance of payments deficits and surpluses will be equal to the change during the accounting period in the total of South African official gold and foreign exchange reserves, the net IMF position and changes in SDR holdings, and any foreign assets held by other South African banking institutions and public agencies under swap arrangements with the Reserve Bank. It is understood that changes in gold holdings outside the monetary reserves and in monetary banks' positions not covered by Reserve Bank swaps are normally not significant. If they should at any time become significant, further consideration will be given to their inclusion in the calculation. SDR allocations will not be considered as reducing a deficit or increasing a surplus as above defined. South Africa does not envisage unusual or non-traditional foreign borrowings or other special transactions that would affect the elements listed in this paragraph.
- B. Addition of newly mined gold to South African reserves under paragraph 2(a) will take place when there is a surplus for an accounting period. It is envisaged that all new gold production, less domestic consumption, during the accounting period will be treated as a balance of payments credit item and that it will, in fact, be sold currently under paragraph 1(a) and paragraph 2(a) to the full extent necessary to meet payments needs, except for the sales available under paragraph 3, apart from the Fund transaction initiated in May 1968.
- C. Sales of gold by South Africa to monetary authorities under paragraph 1(a) may be made for any day when both London fixing prices are \$35.00 p.f.o. or below, in an amount reasonably commensurate with one-fifth of weekly sales from new production required to be marketed to meet balance of payments needs.
- D. Subject to paragraph 2(a):
1. Should sales to monetary authorities under paragraph 1(b), plus sales of SDRs and drawings from the IMF by South Africa, exceed the deficit defined under paragraph A of this memorandum, such excess will be deducted from the amount allowable for the first succeeding accounting period wherein a deficit is again encountered.
 2. Should sales to monetary authorities under paragraph 1(b), plus sales of SDRs and drawings from the IMF, fall short of the amount allowable for an accounting period in which South Africa aims to finance its entire deficit by these means, such shortfall will be added to the amount allowable for the next succeeding accounting period.
3. It is expected that any discrepancies under 1 and 2 above will be minimal.
4. Should sales to monetary authorities under paragraph 1(b), plus sales of SDRs and drawings from the IMF, fall short of the amount allowable for an accounting period in which South Africa does not aim to finance its entire deficit by these means but chooses to sell more on the free market than it undertakes to do in paragraph 2(a), no correction will be made for any succeeding accounting period.
- E. When the price criterion is operative, sales of gold to the IMF shall be attributed to the total deficit, if any, during the accounting period. The balance of such sales, if any, will be attributed to newly mined gold to the extent of gold production during the accounting period.
- F. Sales or payments under paragraph 2(c) in connection with IMF-related transactions are expected to take place only within the criteria normally envisaged for IMF drawings by members, for use of members' currencies in drawings by other members and for SDR transactions.
- G. Fundamentally, it is expected that the composition of South African reserves will not be greatly changed. In particular, it is understood that the ratio of gold to total reserves will remain relatively stable. If South Africa should desire to make additional sales of gold or otherwise exchange assets for the purpose of achieving a basic change in the composition of its reserve holdings, further discussion would be held with a view to clarifying intentions.

U.S. LETTER

THE SECRETARY OF THE TREASURY
WASHINGTON

December 24, 1969

Dear Mr. Schweitzer:

I have received a copy of the letter dated December 23, 1969, sent to you by Mr. Diederichs in which he sets forth the intentions which South Africa proposes to follow with respect to the handling of its newly-mined gold and reserves. This matter bears importantly on the continued effective functioning of the two-tier gold market which was

initiated at a meeting on March 16-17, 1968, which you attended.

In view of the intentions of South Africa, and in view of discussions we have had with other Fund members, I should like to inform you that I have instructed the U.S. Executive Director to take the following position. The United States is prepared to support decisions of the International Monetary Fund to purchase gold offered for sale by South Africa in the circumstances and under the conditions described in that letter, assuming that there is an understanding among Fund members generally

that they do not intend to initiate official gold purchases directly from South Africa. With this understanding, I believe that the policies to be followed will be consistent with the stability and proper functioning of the international monetary system.

Sincerely yours,

/s/

Paul A. Volcker
Acting Secretary

Managing Director
International Monetary Fund

Announcements

RETIREMENT OF MR. WILLIAM McCHESNEY MARTIN, JR., AS A MEMBER AND CHAIRMAN OF THE BOARD OF GOVERNORS

William McChesney Martin, Jr., retired as a Member and Chairman of the Board of Governors, effective January 31, 1970, at the expiration of his 14-year term.

Mr. Martin had served as a Member of the Board of Governors and its Chairman since April 2, 1951, during the administrations of Presidents Truman, Eisenhower, Kennedy, Johnson, and Nixon. Mr. Martin was guest of honor at a dinner given by President and Mrs. Nixon at the White House on January 17.

APPOINTMENT OF DR. ARTHUR F. BURNS AS A MEMBER AND CHAIRMAN OF THE BOARD OF GOVERNORS TO SUCCEED MR. MARTIN

Arthur F. Burns of New York was appointed by the President to succeed Mr. Martin for the 14-year term as a Member of the Board beginning February 1, 1970, with designation as Chairman for 4 years. Dr. Burns took the oath of office at a White House ceremony on January 31, 1970, and made the following statement at that time:

"Mr. President, members of the Cabinet, and friends:

"I want to express my appreciation to you for the confidence that you place in me in having appointed me to this position.

"My duties at the Federal Reserve Board, I think, can be described in a sentence: to do what I can to help protect the integrity of the dollar and to help foster a stable prosperity for our Nation.

"In discharging these duties, I will be aided powerfully by a Board carefully chosen in the past, consisting of distinguished men and very able men dedicated to the public service.

"I shall also be aided by a staff of very great and proven skill, a staff, an economic staff, that is second to none in this country or, for that matter, in the entire world.

"Mr. President, the Federal Reserve Board will do its best. What we need now in addition to doing our best and in addition to having your

confidence is just one bit of luck. Being an optimistic man by nature, I reckon that we in the Federal Reserve Board will have our average luck.

"With that, and with your confidence and with the skills at the Federal Reserve Board, we should do, I think, reasonably well in the years ahead. Let us all pray and hope that this will happen.

"Thank you."

Dr. Burns was born in Stanislau, Austria, on April 27, 1904. He received his A.B. (1925), A.M. (1925), and Ph.D. (1934) degrees from Columbia University and holds honorary degrees from 12 American universities and from Rikkyo (St. Paul's) University, Tokyo. He was an instructor in economics at Rutgers University and remained at Rutgers while teaching part-time at Columbia University beginning in 1941. In 1944 Dr. Burns became a full-time professor on the faculty at Columbia and in 1959 he became the John Bates Clark Professor of Economics, an endowed chair, at Columbia. Concurrent with his career in education, Dr. Burns was a member of the National Bureau of Economic Research, beginning as a research associate in 1930. He became president of the National Bureau in 1957 and chairman in 1967. Dr. Burns' wide-ranging Government service includes chairman of the President's Council of Economic Advisers from 1953 to 1956; chairman of the Advisory Board on Economic Growth and Stability, 1953 to 1956; chairman of the Cabinet Committee on Small Business, 1956; a member of the President's Advisory Committee on Labor-Management Policy from 1961 to 1966, and a member of advisory boards and councils of various other governmental departments and agencies. Most recently, Dr. Burns served as Counselor to the President, Executive Office of the President, beginning in January 1969.

DELEGATION OF ADMINISTRATIVE RESPONSIBILITIES

In the interest of administrative efficiency and effectiveness, and in furtherance of the provision of law that "the Chairman of the Board, subject to

its supervision, shall be its active executive officer," the Board of Governors has delegated to the Chairman of the Board, subject to the limitations shown below, the administrative responsibilities of the Board.

The responsibilities delegated include the following:

(a) The appointment, supervision, and removal of personnel employed under the Board;

(b) The distribution of business among such personnel and among administrative units of the Board;

(c) The direction of personnel who perform, or who supervise the performance of, any function of the Board, but in such manner as to afford reasonable access by each member of the Board to the services of such personnel;

(d) The over-all internal management, functioning, and organization of the Board, including the formulation and implementation of plans and policies to increase the effectiveness of the performance of the Board's functions under the law and the initiation of means of correcting or preventing avoidable delays in the performance of such functions; and

(e) The allocation, use and expenditure of funds of the Board.

The limitations prescribed were as follows:

(a) In carrying out the responsibilities delegated, the Chairman shall be governed by general policies determined by the Board, by the budget adopted by the Board, and by such regulatory decisions, findings, and determinations as may be made by the Board pursuant to law.

(b) The appointment or removal by the Chairman of officers of the Board shall be subject to the Board's approval.

(c) This delegation shall not apply to personnel employed regularly and full time in the immediate offices of members of the Board other than the Chairman.

(d) This delegation shall not extend to the powers vested in the Board to exercise supervision over the Federal Reserve Banks.

The Chairman was also authorized, from time to time, as he may deem appropriate, to redelegate to any member, officer, employee, or administrative unit of the Board any responsibilities delegated to the Chairman.

CHANGES IN THE BOARD'S STAFF

Mr. Innis D. Harris, Coordinator, Office of Defense Planning, retired on February 12, 1970. He had been on the Board's staff since 1958. On the occasion of his retirement, Mr. Harris received "The Distinguished Service Citation" from the Department of Defense and a Citation from the Office of Emergency Preparedness, Executive Office of the President, for "developing and implementing the programs which brought the emergency preparedness of the Nation's banking system to a level unexcelled by any other sector of the economy."

FEDERAL OPEN MARKET COMMITTEE MINUTES

The Board of Governors of the Federal Reserve System and the Federal Open Market Committee announced on January 22, 1970, that minutes of discussions and actions at the Committee's meetings during the years 1962 through 1965 are being transferred to the National Archives.

These minutes are contained in approximately 4,900 pages of typed material. Their transfer has been arranged with the understanding that the National Archives will make them available for inspection by interested persons under its usual rules and procedures.

Similar records for earlier years are already available at the National Archives on the same basis; minutes of the Committee for the years 1936 through 1960 were transferred in 1964, and those for 1961 were transferred in 1967. Complete microfilm copies of these earlier minutes may be obtained at cost from the National Archives, 8th Street and Pennsylvania Ave., N.W., Washington, D.C., 20408. The National Archives will be prepared later to furnish similar copies of the 1962-65 minutes.

Copies of the records for the years 1962 through 1965 also will be made available later for public inspection at the Board's offices in Washington and at each Federal Reserve Bank and branch, the same procedure followed with respect to earlier records. Meanwhile, a work copy will be available for inspection at the Board's offices, and another at the Federal Reserve Bank of New York.

Release of the minutes for 1962 through 1965 presented special problems involving international financial relationships, an area in which Federal Reserve activity has increased considerably in recent years. Consequently, a few sentences or para-

graphs have been deleted, with a footnote in each case indicating the general nature or subject of the deleted matter.

CHANGES IN OTC MARGIN STOCKS

The Board of Governors of the Federal Reserve System on January 26, 1970, announced several changes in its "List of OTC Margin Stocks" first published on July 8, 1969.

Seven stocks are deleted: The Bank of California, N. A., \$10.00 par value common capital; Bank of New York Co., \$15.00 par common; The TI Corporation (of California), Common, \$1.00 par value; Will Ross, Inc., \$1.00 par common; Edgcomb Steel Company, Common, \$5.00 par value; Grinnell Corporation, No par value, common; and Narragansett Capital Corporation, \$1.00 par common.

Other changes are as follows: American Maize-Products Company, Without par or face value, common, becomes American-Maize Products Com-

pany, Class A, \$1.00 par common, and Class B, \$1.00 par common; Anchor Corporation, Class B, nonvoting, common, is changed to Washington National Corporation, \$5.00 par common; Manufacturers and Traders Trust Co. (New York), \$5.00 par capital, becomes First Empire State Corporation, \$5.00 par common; The Ohio Casualty Insurance Co., Capital, becomes Ohio Casualty Corporation, \$.50 par capital; The Philadelphia National Bank, Capital, is changed to PNB Corporation, \$1.00 par common; and Wachovia Corporation, \$5.00 par common, is corrected to read Wachovia Corporation, The, \$5.00 par common.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period January 16, 1970, through February 15, 1970:

Colorado

Westminster.

Citizens Bank

Announcements

REDESIGNATION OF MR. ROBERTSON AS VICE CHAIRMAN OF THE BOARD

President Nixon on February 27, 1970, redesignated Mr. J. L. Robertson as Vice Chairman of the Board of Governors of the Federal Reserve System and to serve as such for a term of 4 years from March 1, 1970, unless and until his services as a member of the Board of Governors shall have sooner terminated.

Mr. Robertson was first appointed as a member of the Board on February 18, 1952, for the unexpired portion of the 14-year term that began February 1, 1950. He was appointed to a full 14-year term beginning February 1, 1964, and first designated as Vice Chairman by former President Lyndon B. Johnson for a term of 4 years beginning March 1, 1966.

PROGRAM DIRECTOR FOR BANKING STRUCTURE

The Board of Governors of the Federal Reserve System has announced the appointment of Brenton C. Leavitt as Program Director for Banking Structure, a new post. Mr. Leavitt will also retain his present title as Deputy Director, Division of Supervision and Regulation.

Mr. Leavitt's responsibilities will be to coordinate staff resources to expedite the processing of the increasing number of banking applications filed with the Board, especially those involving registered bank holding companies. The Board issued decisions during 1969 on 91 applications filed under the Bank Holding Company Act compared with 44 in 1968 and 17 in 1965. During the first 9 weeks of 1970, the Board issued decisions in 21 bank holding company cases.

The first goal in the program is to complete the processing of the rising number of merger and bank holding company applications within 90 days after their acceptance by a Federal Reserve Bank. Later, efforts will be made to reduce the processing time even further, consistent with the maintenance of acceptable quality. Under the Board's rules and procedures, applications are filed first with the Federal Reserve Bank for the district in which the applicant is located. Applications are investigated

and screened by the Reserve Bank and additional material is requested from the applicant when necessary. Applications are then forwarded to the Board where they are screened by the staff before formal consideration and action by the Board itself.

Mr. Leavitt, a native of Greybull, Wyoming, is a graduate of the University of Wyoming, and served as Assistant Bank Examiner for the State of Wyoming before joining the Federal Reserve Bank of Kansas City in 1950 as an Assistant Examiner. He was named Examiner in 1951 and was appointed to the Board's staff as a Review Examiner in 1955. He was later promoted to the positions of Supervisory Review Examiner and Assistant Director and in January 1968 was named Deputy Director in the Division of Supervision and Regulation.

RESIGNATION OF DIRECTOR

Newell B. Dayton, who had served since January 1, 1965, as a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco, resigned effective March 5, 1970. Mr. Dayton is Honorary Chairman of the Board of Tracy-Collins Bank and Trust Company in Salt Lake City.

INCREASE IN INTEREST RATES

The Board of Governors of the Federal Reserve System announced on March 3, 1970, an increase in the maximum interest rates member banks may pay on multiple-maturity time deposits of 1 year or more, bringing them in line with new maximum rates on single-maturity deposits of less than \$100,000.

The new maximum rates are 5½ per cent on multiple-maturity time deposits payable at intervals of 1 year to 2 years, and 5¾ per cent on such deposits payable at intervals of 2 years or more. The previous maximum rate was 5 per cent on both types of instruments. For multiple-maturity time deposits maturing in 90 days to 1 year the maximum rate remains at 5 per cent.

A multiple-maturity time deposit means any time deposit that is payable at the depositor's op-

tion on more than one date; for example, by automatic renewal at maturity if the depositor does not withdraw his funds at that time.

On January 20, the Board announced an increase in the maximum rates banks may pay on single-maturity time deposits of 1 year or more, effective on January 21. The new action—effective retroactively to January 21—was taken in view of the convenience to bank customers of the automatic renewal feature and the practice followed by the Federal Home Loan Bank Board in permitting renewal of similar deposits in savings and loan institutions.

The Federal Deposit Insurance Corporation is issuing similar regulations covering insured State nonmember commercial and mutual savings banks and savings banks in Massachusetts not insured by the FDIC.

PROPOSAL TO AMEND REGULATIONS D AND Q

On March 2, 1970, the Board of Governors announced a proposal to amend its Regulations D and Q, relating to member bank reserve requirements and interest rate ceilings, in order to bring certain subordinated obligations of member banks within the definition of deposits for purposes of those regulations (*Federal Register* for March 10, 1970, 35 F.R. 4307). It was indicated that the proposed amendments would not affect “any instrument issued before March 9, 1970, that has an original maturity of more than two years, is unsecured, and states expressly that it is subordinated to the claims of depositors.”

In order to alleviate hardships, if any, that might be imposed upon some member banks that had made public offerings of subordinated notes before March 9, 1970, and have not completed the sale of such notes, the Board has concluded that, if the proposed amendments should be adopted, the language above quoted would be changed so that notes of the kind described would not be subject to the regulations if they are issued before the effective date of such amendments and pursuant to a public offering made before March 9, 1970.

This modification in the proposed amendment will not extend the time for comments beyond the original deadline of April 2, 1970.

RECIPROCAL CURRENCY ARRANGEMENTS

The Federal Reserve announced on March 11, 1970, that its reciprocal currency (“swap”) ar-

angement with the Bank of Italy has been increased by \$250 million, bringing the total of that arrangement to \$1,250,000,000.

In addition to the increase in the Federal Reserve swap line, the U.S. Treasury will make available a credit facility of \$250 million to Italy.

The \$250 million increase in the Federal Reserve arrangement with the Bank of Italy enlarges the System’s swap network with 14 central banks and the Bank for International Settlements to \$11,230,000,000.

FOREIGN CREDIT RESTRAINT GUIDELINES

The Board of Governors of the Federal Reserve System on March 17 amended its foreign credit restraint guidelines to restore language that, until last December, provided an exception to a subsidiary restraint against issuance by banks of new term loans to residents of developed countries of continental Western Europe. The amended language (guideline provision II-A-3-b) reads as follows: “A bank should not make new term loans to such residents, except loans that finance U.S. exports.” The corresponding language in the guidelines as revised December 17, 1969 (*BULLETIN*, January 1970, p. 11), provided that such loans should not be made except if they qualified as “Export Term Loans.”

The amendment expands the exception from term loans for financing U.S. exports of goods and services of an amount of \$250,000 or more to such loans of any amount.

COMMITTEE TO STUDY AGRICULTURAL CREDIT PROBLEMS

The Board of Governors has established a special committee within the Federal Reserve System to investigate agricultural credit problems in capital deficit areas and possibilities for their amelioration through improvements in the marketability of bank agricultural paper.

Such a study was originally suggested in the document, “Reappraisal of the Federal Reserve Discount Mechanism: Report of a System Committee,” published in July 1968. While action on the other recommendations of the Discount Study has not yet been completed, the Board concluded that agricultural credit developments were such as to make it advisable that work proceed in this area on an independent basis.

The Committee formed has as its chairman President Hugh D. Galusha, Jr., of the Federal

Reserve Bank of Minneapolis. Other members include President Monroe Kimbrel, Federal Reserve Bank of Atlanta; President George H. Clay, Federal Reserve Bank of Kansas City; and Governor George W. Mitchell. In addition, it is expected that former Governor Charles N. Shepardson will work with the committee in his capacity as a Special Consultant to the Board. While the precise course and timetable that the study will follow have not yet been decided upon, staff members throughout the System with special interest and expertise in this area, and perhaps others of similar qualifications outside the System, are expected to participate.

MAINE EXEMPTED FROM LENDING ACT

The Board of Governors of the Federal Reserve System announced on March 12, 1970, that it had granted Maine the first State exemption under the Truth in Lending Act, effective April 1. Maine law, which is substantially similar to the Federal statute, will apply to all classes of credit transactions within that State, except those in which a federally chartered institution—such as a Federal credit union, Federal savings and loan association, or national bank—is a creditor.

Section 123 of the Truth in Lending Act provides that the Board shall exempt from the disclosure and rescission requirements of the Act any

class of transactions within a State if the State law provides requirements substantially similar to those imposed by the Federal law and there is adequate provision for enforcement.

Last July 2, the Board issued as Supplement II to its Truth in Lending Regulation Z the rules and procedures to be followed by States wishing to regulate credit transactions under their own laws. Maine was the first State to file an application with the Board. Pending applications have been received from Massachusetts, Connecticut, Virginia, Oklahoma, and Utah.

The Board also amended Regulation Z to preserve the ability of consumers to file civil actions in either Federal or State courts after exemptions from the Federal statute are granted by the Board.

Under the amendment, criminal and administrative responsibility with respect to exempted transactions will be turned over to a State but the consumer will retain his ability to seek redress for disclosure violations in either Federal or State court, and to avail himself of Federal or State rules of court procedure.

The Federal statute provides these civil penalties for violations: twice the amount of the finance charge (but in no case less than \$100 or more than \$1,000), court costs, and reasonable attorney's fees. □

Announcements

BANK MERGER AND HOLDING COMPANY APPLICATIONS

In a move to expedite action, the Board of Governors of the Federal Reserve System on April 22, 1970, initiated new procedures for announcing its decisions on bank merger and holding company applications.

The Board's Rules of Procedure had specified that a statement of the reasons for an action should accompany each order of approval or denial in a bank merger or holding company application. The Board has amended its Rules to provide for the issuing of such statements where appropriate. An order will continue to be issued in all cases.

Under the new procedure, statements will be issued in all cases in which an application is denied and in cases involving the formation of new bank holding companies, whether approved or denied. Statements generally will be omitted in any case in which (1) the application is approved without dissent, (2) no hearing or oral presentation has been held, (3) the competitive effect is no more than slightly adverse in the opinion of the Board or of reporting Federal agencies, (4) there is no unusual feature that might set a precedent for future cases, and (5) there are no other unusual circumstances.

In cases where no statements are issued, the Board's orders will be expanded to include the legal factors considered, an indication of the size of the institutions involved, and a brief summary of the reasons for the Board's approval.

The number of applications coming before the Board has increased sharply in recent years. The Board during 1969 issued 91 orders and statements on applications filed under the Bank Holding Company Act, compared with 17 during 1965 and 44 during 1968. During the first 3 months of this year, the Board issued 44 such orders and statements. On bank merger applications, the Board issued 23 orders and statements during 1969 and 11 during the first 3 months of this year.

APPOINTMENT OF DIRECTOR

Roy W. Simmons, President and Chairman of the Executive Committee of Zions First National Bank in Salt Lake City, Utah, has been appointed a direc-

tor of the Salt Lake City branch of the Federal Reserve Bank of San Francisco, effective April 2, 1970, for the remainder of a term expiring December 31, 1970. Mr. Simmons succeeds Newell B. Dayton, Honorary Chairman of the Board of Tracy-Collins Bank and Trust Company in Salt Lake City, who resigned as a director effective March 5, 1970.

RESIGNATION OF DIRECTOR

Arthur K. Watson, who had served since January 1, 1965, as a Class B director of the Federal Reserve Bank of New York, resigned effective April 16, 1970, prior to assuming his post as U.S. Ambassador to France. Mr. Watson has been Chairman of the Board of the International Business Machines World Trade Corporation in Armonk, New York, since 1963.

PUBLICATION OF ANNUAL REPORT

The Fifty-Sixth Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1969, is available for distribution. Copies may be obtained upon request from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ANNUAL STATISTICAL TABLES FOR WEEKLY REPORTING BANKS—ERRATA

In the annual statistical tables that appeared in the March 1970 BULLETIN, the following corrections should be made (figures in millions of dollars): p. A-98—total loans, January 1, from 161,941 to 164,941; loans to brokers and dealers for purchasing or carrying other securities, January 29, from 3,861 to 3,661, July 30, from 3,200 to 3,199, and October 22, from 2,901 to 2,902; loans to others for purchasing or carrying other securities, September 3, from 3,661 to 2,661; p. A-99—total investments in U.S. Treasury securities, July 23, from 22,837 to 23,837; accumulated adjustment for total investments in U.S. Treasury securities as of December 31 (no figure shown) to 56; p. A-102—other liabilities, etc., June 25, from 26,633 to 26,626; and reserves for loans, June 25, from 3,521 to 3,529.

Announcements

CHANGE IN THE BOARD'S STAFF

The Board of Governors appointed Lawrence F. Noble an Assistant General Counsel in the Legal Division, effective April 19, 1970.

Mr. Noble, a graduate of St. Peter's College, Jersey City, received an LL.B. degree, cum laude, from St. John's University, Brooklyn, and has been on the Board's staff since 1967.

RESIGNATION OF DIRECTOR

T. H. Shearin, who had served since January 1, 1968, as a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, resigned effective April 16, 1970. Mr. Shearin was until recently President of the Community National Bank in Bakersfield, California.

REDUCTION IN MARGIN REQUIREMENTS

The Board of Governors of the Federal Reserve System on May 5, 1970, lowered its margin requirement for purchasing or carrying stocks from 80 to 65 per cent, effective May 6. The Board also lowered the margin requirement for purchasing or carrying convertible bonds—those that can be converted into stock—from 60 to 50 per cent, also effective May 6. In making the changes, the Board cited the sharp reduction in the use of credit for stock purchases.

In the Securities Exchange Act of 1934, Congress granted the Board of Governors authority to impose margin requirements "for the purpose of preventing the excessive use of credit for the purchase or carrying of securities."

Since the last change in margin requirements in June 1968, when they were increased from 70 to 80 per cent for stocks and 50 to 60 per cent for convertible bonds, margin credit extended by brokers had dropped from \$6.7 billion to \$4.5 billion in March 1970, and the number of margin accounts had dropped from 940,000 to 820,000. Meanwhile, credit extended by banks for purchasing or carrying securities had declined from a high of \$2.8 billion in February 1969 to \$2.4 billion in March 1970.

The action, amending the Board's regulations relating to stock market credit, will cover new extensions of credit by brokers and dealers (Regula-

tion T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying securities registered on a national stock exchange or named in the Board's over-the-counter margin list.

No change was made in the 70 per cent "retention requirement" applicable to undermargined accounts. That requirement specifies the portion of the proceeds of a sale of securities from a margin account that must be retained in the account if the equity in that account does not match the new margin requirements.

Federal Reserve margin requirements set the minimum downpayment that must be made to purchase a stock or a convertible bond on credit. Under a 65 per cent margin requirement, a purchaser of stock is required to put up 65 per cent of the purchase price in cash (or collateral with that much "loan value" under the regulations) at the time of the transaction. He may then obtain credit for the remaining 35 per cent of the purchase price.

AMENDMENTS TO FOREIGN CREDIT RESTRAINT GUIDELINES FOR BANKS

The Board of Governors has amended, effective May 13, 1970, the Federal Reserve foreign credit restraint guidelines¹ to clarify and to generalize principles developed earlier in specific cases under which domestic subsidiaries of U.S. banking institutions may offset certain foreign borrowings against the foreign assets that are subject to guideline restraint.

Under the amendments, domestic subsidiaries of Edge Act and Agreement Corporations of U.S. banks, in calculating their foreign assets that are to be consolidated with those of their parents and thereby made subject to guideline ceilings, may deduct any of the subsidiaries' foreign borrowings that are outstanding and that had an original maturity of 3 years or more.

The principle was established in April 1968, when the Board authorized an Edge Act Corporation to make an investment abroad through its

¹ For full text of guidelines, see BULLETINS for January 1970, pp. 11-22, and March 1970, p. 311.

domestic subsidiary outside the guideline ceiling to the extent that it financed the investment with funds raised abroad at terms of at least 3 years. The principle has been reaffirmed in later specific authorizations. The amendment gives the principle general applicability.

The opportunity to offset foreign borrowings against foreign assets has been confined to the "second-tier" domestic subsidiaries of banks, that is, to domestic subsidiaries of Edge Act or Agreement Corporations, and not extended to banks or their Edge Act or Agreement Corporations, and has been limited to borrowings of 3 years or more. Such borrowings might have adverse effects on the balance of payments if, in the absence of these limits, they led to a substitution of deposits, or of short-term investments, by foreigners in the United States.

The amendments are set forth below.

Insert new guideline provision II-A-7 as follows:

7. Foreign Borrowings.

In principle, the restraints under these guidelines are imposed on gross foreign assets, including gross claims on foreigners. However, certain liabilities to foreigners may be counted as offsets to foreign assets only where the liabilities arise from borrowings abroad that substitute for direct investment capital outflow from the United States and are not likely to substitute for foreign deposits, or for short-term foreign investments, in the United States. Such offsetting may be done in the manner described below.

a. **BANKS AND EDGE ACT AND AGREEMENT CORPORATIONS.** A bank, an "Edge Act" Corporation, or an "Agreement" Corporation may not count its borrowings from, or its other liabilities to, foreigners as offsets to its claims on foreigners and other foreign assets.

b. **DOMESTIC SUBSIDIARIES.** A domestically chartered subsidiary (for example, a so-called Delaware subsidiary) of an Edge Act Corporation or of an Agreement Corporation may count the outstanding amount of its borrowings from foreigners as offsets to its claims on foreigners and to its other foreign assets, provided those borrowings are of an original maturity of 3 years or more. Such borrowings would include debentures, promissory notes, or other debt obligations of the domestic subsidiary to a foreigner. The amount of the offset at any time would be equal to the amount of the outstandings after deducting (i) any repayments of principal and (ii) in the case of convertible debt issues, any conversions. This offsetting principle may be used to reduce the value of foreign assets of the sub-

subsidiary in computing the value of assets to be consolidated for reporting purposes with those of the parent institution; any excess of outstanding borrowings of the subsidiary over foreign assets of the subsidiary may not be used to reduce the reportable value of foreign assets of the parent institution.

Replace guideline provision II-D-4 with the following:

4. Foreign Branches and Foreign Subsidiaries of U.S. Banks and Banking Institutions

a. The guidelines are not designed to restrict the extension of foreign credit by foreign branches of U.S. banks or by foreign subsidiaries of U.S. banks, Edge Act Corporations, or Agreement Corporations, except as the result of the restraints on banks (including Edge and Agreement Corporations) with respect to foreign credit to, or foreign investment in, such branches or subsidiaries.

b. Total claims of a bank's domestic offices on its foreign branches and foreign subsidiaries (including permanent capital invested in, as well as balances due from, such foreign branches and foreign subsidiaries) represent bank credit to foreigners for purposes of the guidelines.

[The superseded provision read as follows:

4. Foreign Branches of U.S. Banks

a. The guidelines are not designed to restrict the extension of foreign credits by foreign branches of U.S. banks if the funds utilized are derived from foreign sources and do not add to the outflow of capital from the United States.

b. Total claims of a bank's domestic offices on its foreign branches (including permanent capital invested in, as well as balances due from, such branches) represent bank credit to foreigners for the purposes of the program.]

Insert new guideline provision II-D-5 as follows:

5. Domestic Subsidiaries of Edge Act and Agreement Corporations

The foreign assets of domestically chartered subsidiaries of Edge Act Corporations and of Agreement Corporations (net of foreign borrowings offset under II-A-7-b, above) should be consolidated with the foreign assets of the parent for purposes of the guidelines.

ERRATUM

In the April 1970 BULLETIN, page 363, the order and statement under the Bank Holding Company Act referring to "Midatlantic Banks, Inc., Newark, New Jersey" are with respect to "Midlantic Banks, Inc., Newark, New Jersey."

Announcements

CHANGES IN THE BOARD'S STAFF

The Board of Governors has announced the following official staff appointments and changes:

John T. McClintock was named an Assistant Director of the Division of Supervision and Regulation, effective June 1, 1970. A graduate of Virginia Polytechnic Institute, Mr. McClintock came to the Board in 1957 from the Federal Reserve Bank of Richmond. Prior to his official appointment, Mr. McClintock had been Assistant to the Director of the Division of Supervision and Regulation.

Henry W. Meetze, Chief of the Data Production Section of the Division of Data Processing, was appointed an Assistant Director of that Division effective June 8, 1970. Mr. Meetze, a graduate of the U.S. Military Academy with an M.S. from George Washington University, served with the Army until he joined the Board's staff in 1969.

Tynan Smith, Adviser in the Division of Research and Statistics, has been transferred to the Division of Supervision and Regulation as Assistant Director of that Division, effective July 1, 1970. Mr. Smith had been assigned to the Division of Supervision and Regulation as Acting Assistant Director for about 10 months in 1968 and 1969 in connection with the development of the Truth in Lending program.

Also Levon H. Garabedian, Chief of the Administration Section of the Division of Research and Statistics, has been named an Assistant Director in that Division, effective July 1. Mr. Garabedian, who has a B.S. and an M.A. in Business Administration from American University, joined the Board's staff in 1959.

Mr. Milton W. Schober, Assistant Director of the Division of Supervision and Regulation, resigned effective May 30, 1970, and Mr. Robert E. Nichols, Special Assistant to the Board, resigned as of June 12, 1970.

APPOINTMENT OF DIRECTOR

L. E. Southwick, President of Valley National Bank, Glendale, California, was appointed a director of the Los Angeles Branch of the Federal

Reserve Bank of San Francisco, effective June 4, 1970, for the remainder of a term expiring December 31, 1970. Mr. Southwick succeeds T. H. Shearin, former President of the Community National Bank in Bakersfield, California, who resigned as a director effective April 16, 1970.

PUBLICATION OF DATA ON "ADJUSTED BANK CREDIT PROXY" AND BANK-RELATED COMMERCIAL PAPER

In recent years the Federal Open Market Committee has been making use of daily-average statistics on total member bank deposits as a "bank credit proxy"—that is, as the best available measure, although indirect, of developing movements in bank credit. Because they can be compiled on a daily basis with a very short lag, the deposit figures are more nearly current than available bank loan and investment data. Moreover, average deposit figures for a calendar month are much less subject to the influence of single-date fluctuations than are the available month-end data on total bank credit, which represent estimates of loans and investments at all commercial banks on one day—the last Wednesday—of each month.

However, movements in total member bank deposits and in commercial bank credit can diverge for various reasons, including changes in nondeposit liabilities of banks. Because changes in such liabilities recently have been an important source of divergence from time to time, an "adjusted" proxy series, taking approximate account of such changes, is also calculated for Committee use.

Weekly and monthly average data on the "adjusted bank credit proxy," are now being published regularly. Weekly data are published in the Board's H.9 press release, "Weekly Summary of Banking and Credit Measures," and monthly data are published on both page A-17 of the BULLETIN and in the G.10 press release, "Aggregate Reserves and Member Bank Deposits."

The adjusted bank credit proxy series includes—in addition to the seasonally adjusted data on total member bank deposits subject to reserve requirements, which are still shown as a separate

series in these releases—seasonally unadjusted data for the following nondeposit sources of funds: gross liabilities of banks to their own foreign branches and to branches in U.S. territories and possessions; Euro-dollars borrowed directly from foreign banks or through brokers and dealers; commercial paper issued by holding companies or other bank affiliates; and loans, or participations in pools of loans, sold under repurchase agreement to others than banks or banks' own affiliates or subsidiaries. The nondeposit items are included without seasonal adjustment because the period for which such information is available is so short that seasonal adjustment is not yet feasible.

The Board's H.9 release includes, in addition to the weekly adjusted bank credit proxy series, a footnote indicating the amount of bank-related commercial paper outstanding. As indicated above, this major nondeposit source of funds is included in the adjusted bank credit proxy.

Requests for back data beginning with the week ending May 28, 1969, for both the adjusted credit proxy and bank-related commercial paper should be addressed to the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

FEDERAL RESERVE FACILITY AT MIAMI

In a move to improve banking services in the rapidly expanding southern Florida area, the Board of Governors on June 12, 1970, announced it had approved a proposal by the Federal Reserve Bank of Atlanta to establish a check collection and currency and coin facility at Miami.

The Board also approved a proposal by the Atlanta Bank to plan the establishment of a branch bank at Miami.

The check collection and currency and coin facility is expected to begin partial operations by the end of the year. It will provide services in 13 southern Florida counties as follows: Broward, Charlotte, Collier, Dade, Glades, Hendry, Indian River, Lee, Martin, Monroe, Okeechobee, Palm Beach, and St. Lucie.

Growth in Florida's economy has been concentrated in the southern part of the State, which has growing trade and other economic relationships with Central and South America. There are now about 150 commercial banks, including 86 member banks, in the 13 counties that will be served by a Miami facility. These banks account for 44 per

cent of the total bank deposits in the State and receive about 52 per cent of the dollar value of currency shipped by the Jacksonville Branch of the Federal Reserve Bank of Atlanta, which now serves southern Florida.

Estimates indicate that the proposed Miami facility will handle about 14 million checks monthly, a volume that would be exceeded to any substantial degree only by 2 of the 24 Federal Reserve branch banks. The establishment of a Miami office would lead to substantial improvement in Federal Reserve services in that area and would also relieve pressures on the Jacksonville Branch where space problems could become so severe within 3 to 5 years that construction of a new building would be required if that Branch were to continue serving the entire State.

The 360 miles from Jacksonville to Miami represents the greatest distance by far between a Federal Reserve office and a metropolitan area of more than a million persons. The 1968 population of the Miami metropolitan area was an estimated 1.12 million persons.

SILVER COIN AS RESERVES

The Board of Governors on June 3, 1970, issued for comment a proposed amendment to Regulation D, "Reserves of Member Banks," which would prevent member banks from counting as part of their required reserves any silver coin they hold for its bullion or numismatic value. Comments on the proposal, which was published in the *Federal Register* for June 9, 1970 (35 F.R. 8892), should be received by the Board no later than July 13, 1970.

FLOW OF FUNDS ACCOUNTS, 1945-68

Flow of Funds Accounts, 1945-68, is available for distribution.

This publication consists of an introductory text on the accounts and a complete set of tables on annual flows and year-end outstandings using the new structural basis that first appeared in the November 1969 BULLETIN. It is a replacement for the February 1968 flow of funds supplement with tables through 1967.

Requests for copies should be sent to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Remittance should accompany order and be made payable to the Board of Governors of the Federal Reserve System (prices shown on page A-98).

**ADMISSION OF STATE BANKS TO
MEMBERSHIP IN THE
FEDERAL RESERVE SYSTEM**

The following State banks were admitted to membership in the Federal Reserve System during the period February 16, 1970, through June 15, 1970, inclusive:

Virginia

Manassas First Manassas Bank and
Trust Company

New York

Rochester Bankers Trust Company of
Rochester

Tennessee

Lawrenceburg The Lawrence County Bank

Announcements

CHANGES IN THE BOARD'S STAFF

The Board of Governors announced the designation of David B. Hexter as an Assistant to the Board, effective July 1, 1970. Mr. Hexter joined the Board's staff in 1953 and has been serving as the Board's General Counsel since January 1968.

To succeed Mr. Hexter as General Counsel, the Board also announced the appointment of Thomas J. O'Connell, effective July 1, 1970. Mr. O'Connell was appointed to the Board's staff in 1956 and was named Deputy General Counsel in January 1968.

APPOINTMENT OF MR. MAYO AS PRESIDENT OF CHICAGO BANK

The Board of Governors approved the appointment, by the Directors of the Federal Reserve Bank of Chicago, of Robert P. Mayo as President of that Bank, effective July 29, 1970, to serve the remainder of a 5-year term expiring February 28, 1971. He succeeds Charles J. Scanlon, who resigned earlier this year to become a Vice-President of General Motors Corporation.

Mr. Mayo had been since July 1 a counselor to President Nixon, after having served as Director of the Bureau of the Budget from the beginning of the current administration.

SUSPENSION OF SHORT-TERM CEILINGS ON INTEREST RATES

The Board of Governors of the Federal Reserve System on June 23, 1970, suspended, effective Wednesday, June 24, ceilings on interest rates payable by member banks on certificates of deposit and other single-maturity time deposits in denominations of \$100,000 or more with maturities of 30 through 89 days.

Prior to the suspension, which is to remain in effect until further action by the Board, the ceilings on such deposits had been 6¼ per cent for maturities of 30 to 59 days and 6½ per cent for maturities of 60 to 89 days.

In taking the action, the Board recognized that there could be unusual demands upon commercial banks for short-term credit accommodation as a consequence of current uncertainties in financial markets. If this occurs, such increases in bank loans would not constitute an increase in total credit

flows, to the extent that they simply represented a transfer of borrowings from other financing avenues, as for example the commercial paper market.

Under these circumstances, appropriate accommodations in bank lending, the Board said, would be a constructive element in the process of adjustment to changing financial conditions and would not interfere with the continuing objective of curbing inflation.

The Board's action was taken after consultation with the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board.

No change was made in the ceilings applicable to longer-term certificates of deposit of \$100,000 or more, which remain at 6¾ per cent for maturities of 90 to 179 days, 7 per cent for 180 days to 1 year, and 7½ per cent for 1 year or more. Likewise, no change was made in the ceilings on savings deposits or time deposits (including certificates of deposit) of less than \$100,000, on which the maximum rates payable range from 4½ to 5¾ per cent.

NEW PUBLICATION

Joint Treasury-Federal Reserve Study of the U.S. Government Securities Market: Staff Studies—Part 1 is available for distribution. It consists of the following three papers: "Techniques of the Federal Reserve Trading Desk in the 1960's Contrasted with the 'Bills Preferably' Period (1953-60)" by Robert L. Cooper; "Views of U.S. Government Securities Dealers" by Normand R. V. Bernard; and "Institutional Investors in the Government Securities Market" by Joseph Scherer. Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is 50 cents per copy; in quantities of 10 or more sent to one address, 40 cents each.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period June 17, 1970 through July 15, 1970:

West Virginia

Philippi Barbour County Bank

Announcements

CHANGES IN THE BOARD'S STAFF

The Board of Governors announced that, effective August 10, 1970, the services of Mr. Eugene A. Leonard, Senior Vice President, Federal Reserve Bank of St. Louis, have been made available to the Board, for a period of approximately a year, and that he has been designated as an Assistant Secretary in the Office of the Secretary.

Mr. Jerome W. Shay, a member of the Board's staff for more than 33 years and an Assistant General Counsel since 1961, retired on August 1, 1970.

Mr. Bernard Shull, an Associate Adviser in the Division of Research and Statistics, resigned from the Board's staff, effective August 21, 1970.

CHANGE IN RESERVE REQUIREMENTS

The Board of Governors of the Federal Reserve System on August 17, 1970, applied a 5 per cent reserve requirement on funds obtained by member banks through the issuance of commercial paper by their affiliates, and at the same time reduced from 6 to 5 per cent the reserves that member banks must hold against time deposits in excess of \$5 million.

Both actions will become effective in the reserve computation period beginning October 1 and will be applicable on such deposits and commercial paper outstanding in the week beginning September 17. This coincides with the beginning of the fall period of seasonal expansion of deposits and required reserves.

The dual action will result in a reduction of required reserves of about \$350 million for the banking system as a whole. The extension of reserve requirements to bank-related commercial paper is estimated to increase required reserves of the affected member banks by roughly \$350 million. On the other hand, the reduction in reserve requirements against time deposits over \$5 million is expected to lower required reserves by some \$300 million at banks issuing commercial paper, and by about \$400 million at all other member banks.

The greater portion of the net reserves thus released will become available to banks that in the present circumstances might be expected to use a sizable share of the available funds in financing housing and State and local governments.

Both actions of the Board were adopted unanimously.

No change was made in the 3 per cent reserve requirement on a member bank's savings deposits and time deposits of less than \$5 million. This action represents the first change in reserve requirements since April 17, 1969, when the Board increased reserves on demand deposits by one-half of a per cent for all member banks.

Since most commercial paper is issued in denominations of \$100,000 or more, the extension of reserve requirements to bank-related commercial paper will put instruments of this kind on a substantially equal footing, in terms of reserve requirements, with negotiable certificates of deposit issued by banks.

In imposing reserve requirements on commercial paper issued by bank affiliates, the Board used for the first time the authority contained in the Act of December 23, 1969, which explicitly authorized such action. The reserve requirement will apply to funds obtained by member banks through the issuance of commercial paper or similar obligations by their affiliates.

Presently, about \$7.5 billion of bank-related commercial paper is outstanding. Over the past year, the amount of such paper had risen by \$5.5 billion.

At the time the new reserve requirements become effective, the permission initially granted on November 4, 1969, to the Federal Reserve Banks to waive penalties for reserve deficiencies connected with the application of reserve requirements to subsidiaries' commercial paper will be withdrawn.

In taking this action with respect to bank-related commercial paper, the Board urged member banks and their holding companies to comply with the spirit and purpose as well as the letter of the rules regarding member bank reserve requirements.

RELEASE: AGGREGATE RESERVES AND MEMBER BANK DEPOSITS

The monthly release G.10 "Aggregate Reserves and Member Bank Deposits" has been changed to a weekly release H.3, effective with the publication of July data on August 18, 1970. The weekly publication has been expanded to include monthly data on an unadjusted basis, as well as weekly data both unadjusted and adjusted for seasonal variation.

MARGIN REQUIREMENTS FOR OTC STOCKS

The Board of Governors of the Federal Reserve System on July 20, 1970, published a revised list of 390 over-the-counter (OTC) stocks that are

subject to its margin regulations. The list supersedes the initial OTC margin stock list that went into effect on July 8, 1969. (See July 1969 BULLETIN, pp. 626-30.)

OTC MARGIN STOCKS ¹

(as of July 20, 1970)

AITS, INC. Common	APPLEBAUMS' FOOD MARKETS, INC. Common
AVM CORPORATION \$1.00 par common	ARDEN-MAYFAIR, INC. Common
ACUSHNET COMPANY Common	ARKANSAS-MISSOURI POWER COMPANY \$2.50 par common
ADDISON-WESLEY PUBLISHING COMPANY, INC. Class B, no par common	ARKANSAS WESTERN GAS COMPANY \$2.50 par common
ADVANCE ROSS CORPORATION \$.10 par common	ARROW-HART, INC. Common
ALEXANDER & BALDWIN, INC. No par common	ARVIDA CORPORATION Common
ALLEGHENY BEVERAGE CORPORATION \$1.00 par common	ASSOCIATED COCA-COLA BOTTLING Co., INC. \$1.00 par common
ALLYN AND BACON, INC. \$.50 par common	ASSOCIATED TRUCK LINES, INC. Common
ALPHANUMERIC INC. Common	ATLANTA GAS LIGHT COMPANY \$5.00 par common
ALPINE GEOPHYSICAL ASSOCIATES, INC. \$.10 par common	BMA CORPORATION \$2.00 par common
AMERICAN EXPRESS COMPANY \$1.66⅔ par common	BAIRD-ATOMIC, INC. \$1.00 par common
AMERICAN EXPRESS COMPANY \$1.50 convertible preferred	BANGOR HYDRO-ELECTRIC Co. \$5.00 par common
AMERICAN FIDELITY LIFE INSURANCE COMPANY \$1.00 par common	BANK OF HAWAII Common
AMERICAN FURNITURE COMPANY, INC. \$1.00 par common	BANKAMERICA CORPORATION \$6.25 par common
AMERICAN GREETINGS CORPORATION Class A, \$1.00 par common	BANKERS NATIONAL LIFE INSURANCE COMPANY \$2.00 par capital
AMERICAN HERITAGE LIFE INVESTMENT CORPORATION \$1.00 par common	BARBER-GREENE COMPANY \$5.00 par common
AMERICAN MEDICORP, INC. Common	BARDEN CORPORATION, THE \$1.00 par common
AMERICAN NATIONAL INSURANCE COMPANY \$4.00 par common	BARNES-HIND PHARMACEUTICALS, INC. Common
AMERICAN NUCLEAR CORPORATION \$.04 par common	BAYSTATE CORPORATION \$7.50 par common
AMERICAN RE-INSURANCE Co. \$3.00 par capital	BEECHAM INC. \$1.00 par common
AMERICAN SAVINGS & LOAN ASSOCIATION Permanent reserve guarantee stock	BEEFLAND INTERNATIONAL, INC. Common
AMERICAN SECURITY AND TRUST COMPANY (Unit) Capital	BETZ LABORATORIES, INC. \$.10 par common
AMERICAN WELDING & MANUFACTURING COMPANY, THE No par common	BIBB MANUFACTURING COMPANY \$12.50 par common
ANADITE, INC. Common	BIO-DYNAMICS, INC. No par common
ANHEUSER-BUSCH, INCORPORATED \$1.00 par common	BLACK HILLS POWER AND LIGHT COMPANY \$1.00 par common
ANIXTER BROTHERS, INC. Common	BOLT BERANEK AND NEWMAN INC. No par common
	BRENCO, INCORPORATED \$1.00 par common
	BROWNING ARMS COMPANY Capital

¹ Stocks appearing on this list have not been approved by the Board in any way, and representation by any person that their appearance on the list indicates approval by the Board or any Government agency is unlawful.

ANNOUNCEMENTS

BRUSH BERYLLIUM COMPANY, THE Common	CONTRAN CORPORATION \$1.00 par common
BUCKBEE-MEARS COMPANY \$.10 par common	COOPER LABORATORIES, INC. \$.10 par common
BUCKEYE INTERNATIONAL, INC. Common	CORNELIUS COMPANY, THE Common
CP FINANCIAL CORP. \$1.00 par common	CROCKER NATIONAL CORPORATION \$10.00 par common
CALIFORNIA-WESTERN STATES LIFE INSURANCE COM- PANY Common capital	CROSS COMPANY, THE \$5.00 par common
CAPITAL HOLDING CORPORATION \$1.00 par common	CRUTCHER RESOURCES CORPORATION Common
CAPITOL INTERNATIONAL AIRWAYS, INC. Common	DALLAS AIRMOTIVE, INC. Common
CAROLINA CARIBBEAN CORPORATION Common	DALTO ELECTRONICS CORPORATION \$.50 par common
CARTE BLANCHE Class A, capital	DASA CORPORATION \$1.00 par common
CASCADE NATURAL GAS CORPORATION \$1.00 par common	DELUXE CHECK PRINTERS, INCORPORATED \$1.00 par common
CENTRAL VERMONT PUBLIC SERVICE CORPORATION \$6.00 par common	DELHI INTERNATIONAL OIL CORPORATION \$.10 par common
CHANCE, A. B. COMPANY \$2.50 par common	DETREX CHEMICAL INDUSTRIES, INC. Common
CHEMICAL LEAMAN TANK LINES, INC. \$2.50 par common	DETROIT BANK AND TRUST COMPANY, THE \$10.00 par capital
CHESAPEAKE INSTRUMENT CORPORATION \$1.00 par common	DIAMOND CRYSTAL SALT COMPANY \$2.50 par common
CHUBB CORPORATION, THE Capital	DIEBOLD COMPUTER LEASING, INC. Class A, \$.03½ par common
CITIZENS AND SOUTHERN NATIONAL BANK, THE \$2.50 par common	Disc, Inc. Class A, \$1.00 par common
CITIZENS UTILITIES COMPANY \$1.00 par common, Series A \$1.00 par common, Series B	DOWNTOWNER CORPORATION, THE Common
CLARK, J. L. MANUFACTURING Co. Common	DOYLE DANE BERNBACH INC. Common
CLEVELAND TRUST COMPANY, THE \$20.00 par capital	DURIRON COMPANY, INC., THE \$1.25 par common
CLINTON OIL COMPANY Common	EASTERN SHOPPING CENTERS, INC. \$5.00 par common
COASTAL STATES LIFE INSURANCE COMPANY Common	ECONOMICS LABORATORY, INC. Common
COGNITRONICS CORPORATION \$.20 par common	EL PASO ELECTRIC COMPANY No par common
COLONIAL LIFE & ACCIDENT INSURANCE Co. Class B, non-voting	ELECTRO-NUCLEONICS, INC. \$.02½ par common
COLONIAL STORES INCORPORATED \$2.50 par common	ELECTRONIC DATA SYSTEMS CORPORATION No par common
COMBINED INSURANCE COMPANY OF AMERICA \$1.00 par common	EMPIRE LIFE INSURANCE COMPANY OF AMERICA \$1.00 par common
COMMONWEALTH TELEPHONE COMPANY \$6.66⅔ par common	ENERGY CONVERSION DEVICES, INC. \$.01 par common
COMMUNITY HEALTH FACILITIES, INC. \$.50 par common	ENERGY RESOURCES CORPORATION \$1.00 par common
COMPUTER USAGE COMPANY, INC. Common	EPSCO, INCORPORATED No par common
CONNECTICUT GENERAL INSURANCE CORPORATION \$2.50 par common	EQUITY OIL COMPANY \$1.00 par common
CONTINENTAL BANK \$5.00 par common	ERIE TECHNOLOGICAL PRODUCTS, INC. \$2.50 par common
CONTINENTAL INVESTMENT CORPORATION Common	FABRI-TEK INCORPORATED \$.10 par common
CONTINENTAL MORTGAGE INSURANCE Co. Common	FARMERS NEW WORLD LIFE INSURANCE Co. Common
	FARRINGTON MANUFACTURING COMPANY \$1.00 par common

FIDELITY CORPORATION (Virginia)	GIFFORD-HILL & COMPANY, INC.
Common	\$2.00 par common
FIDELITY CORPORATION OF PENNSYLVANIA	GIRARD COMPANY, THE
\$1.00 par common	\$1.00 par common
FIDELITY UNION LIFE INSURANCE COMPANY	GLEASON WORKS
\$1.00 par common	Common
FIDELITY UNION TRUST COMPANY	GOLDEN CYCLE CORPORATION, THE
\$5.00 par capital	No par common
FIRST & MERCHANTS CORPORATION	GOVERNMENT EMPLOYEES INSURANCE COMPANY
\$10.00 par common	\$4.00 par common
FIRST BANK SYSTEM, INC.	GOVERNMENT EMPLOYEES LIFE INSURANCE COMPANY
\$5.00 par common	\$1.50 par common
FIRST CITY NATIONAL BANK OF HOUSTON	GRAPHIC CONTROLS CORPORATION
Common	\$1.00 par common
FIRST EMPIRE STATE CORPORATION	GRAPHIC SCIENCES, INC.
\$5.00 par common	\$.50 par common
FIRST JERSEY NATIONAL CORPORATION	GREAT COMMONWEALTH LIFE INSURANCE COMPANY
\$5.00 par common	\$1.00 par common
FIRST MERCHANTS NATIONAL BANK, ASBURY PARK	GREAT SOUTHWEST CORP.
\$2.50 par common	Common
FIRST NATIONAL BANK IN DALLAS	GREEN MOUNTAIN POWER CORPORATION
\$10.00 par common	Common
FIRST NATIONAL BANK OF BOSTON, THE	GYRODYNE COMPANY OF AMERICA, INC.
\$12.50 par capital	\$1.00 par common
FIRST NATIONAL CORPORATION	HAMILTON INTERNATIONAL CORPORATION
Class A	Class A, common
FIRST NATIONAL HOLDING CORPORATION	HANOVER INSURANCE COMPANY, THE
(Memphis, Tennessee)	Common
Common	HARDEE'S FOOD SYSTEMS, INC.
FIRST PENNSYLVANIA CORPORATION	No par common
\$5.00 par common	HARRIS TRUST AND SAVINGS BANK
FIRST VIRGINIA BANKSHARES CORPORATION	Capital
\$1.00 par common	HARTFORD FIRE INSURANCE COMPANY
FLICKINGER, S. M. Co., INC.	Common
\$2.50 par common	HASBRO INDUSTRIES, INC.
FLORIDA TELEPHONE CORPORATION	\$.50 par common
Class A, \$2.50 par common	HAVEN INDUSTRIES, INC.
FOOD FAIR PROPERTIES, INC.	\$.01 par common
\$.01 par common	HAWAIIAN AIRLINES, INC.
FOTOMAT CORPORATION	Common
No par common	HAWTHORNE FINANCIAL CORPORATION
FOUNDERS FINANCIAL CORPORATION	Capital
Common	HEATH TECNA CORPORATION
FRANKLIN LIFE INSURANCE COMPANY, THE	No par common, \$.25 stated value
Common	HERFF JONES Co.
FRANKLIN NEW YORK CORPORATION	No par common
Common	HILLHAVEN, INC.
Convertible preferred	\$.16 $\frac{2}{3}$ par common
FRIENDLY ICE CREAM CORPORATION	HONOLULU GAS COMPANY, LIMITED
\$1.00 par common	\$10.00 par common
GRT CORPORATION	HOOVER COMPANY, THE
No par common	\$2.50 par common
GAS SERVICE COMPANY, THE	HORIZON CORPORATION
\$5.00 par common	\$.01 par common
GATES LEARJET CORPORATION	HOSPITAL CORPORATION OF AMERICA
\$1.00 par common	\$1.00 par common
GELMAN INSTRUMENT COMPANY	HYATT CORPORATION
No par common	Common
GENERAL AIRCRAFT CORPORATION	HYSTER COMPANY
\$1.00 par common	\$.50 par common
GENERAL MEDICAL CORPORATION	ISI CORPORATION
Common	No par common
GENERAL UNITED GROUP, INCORPORATED	INDEPENDENT LIFE AND ACCIDENT INSURANCE COM-
\$.25 par common	PANY, THE
GEORGIA INTERNATIONAL CORPORATION	Non-voting common
\$1.00 par common	

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INDIANA GAS COMPANY, INC. No par common	LEHIGH COAL AND NAVIGATION COMPANY, THE \$1.00 par common
INDIANAPOLIS WATER COMPANY \$7.50 par common	LIBERTY EQUITIES CORPORATION \$1.00 par common
INDUSTRIAL NUCLEONICS No par common	LIBERTY NATIONAL LIFE INSURANCE COMPANY \$2.00 par common, capital
INEXCO OIL COMPANY \$.02 par common	LILLY, ELI AND COMPANY \$1.25 par common
INFORMATICS, INC. \$.10 par common	LIN BROADCASTING CORPORATION Common
INTEGON CORPORATION Common	LINCOLN AMERICAN CORPORATION \$1.00 par common
INTEGRATED CONTAINER SERVICE INDUSTRIES CORP. \$1.00 par common	LINCOLN CONSOLIDATED, INC. \$1.00 par common
INTERFINANCIAL INC. Common	LINCOLN FIRST BANKS INC. \$10.00 par common
INTERNATIONAL BOOK CORPORATION \$.02 par common	LOMAS & NETTLETON FINANCIAL CORPORATION \$2.00 par common
INTERNATIONAL MULTIFOODS CORPORATION \$1.00 par common	LOUISIANA AND SOUTHERN LIFE INSURANCE COMPANY \$1.00 par common
INTERNATIONAL TEXTBOOK Co. (INTEXT) No par common	MPB CORPORATION \$1.00 par common
INTERSTATE CORPORATION, THE \$1.00 par common, capital	MAINE SUGAR INDUSTRIES, INC. \$1.25 par common
INVESTMENT CORP. OF FLORIDA Common	MAJOR REALTY CORPORATION \$.01 par common
IOWA SOUTHERN UTILITIES COMPANY \$10.00 par common	MALLINCKRODT CHEMICAL WORKS Class A, non-voting common
JAMES, FRED S. & Co., INC. \$.50 par common	MANAGEMENT ASSISTANCE INC. \$.10 par common
JAMESBURY CORP. \$1.00 par common	MANUFACTURERS NATIONAL BANK OF DETROIT \$10.00 par common
JET AVION CORPORATION \$.10 par common	MARATHON MANUFACTURING COMPANY Common
KDI CORPORATION \$.35 par common	MEDIC-HOME ENTERPRISES INC. Common
KMS INDUSTRIES, INC. \$.01 par common	MELLON NATIONAL BANK AND TRUST Co. Common
KAISER STEEL CORPORATION \$.66⅔ par common \$1.46 preferred	MIDAS-INTERNATIONAL CORPORATION Class A, \$1.00 par common
KALVAR CORPORATION \$.02 par capital	MIDLANTIC BANKS, INC. \$10.00 par capital
KAMAN CORPORATION Class A, common	MILLIPORE CORPORATION \$.33⅓ par common
KEARNEY & TRECKER CORPORATION \$2.00 par common	MOGUL CORPORATION, THE No par common
KELLWOOD COMPANY Common	MOHAWK RUBBER COMPANY, THE \$1.00 par common
KENTUCKY CENTRAL LIFE INSURANCE COMPANY Class A, non-voting	MONARCH CAPITAL CORPORATION \$1.00 par common
KEYES FIBRE COMPANY \$1.00 par common	MONMOUTH COUNTY NATIONAL BANK, THE (Red Bank) Common capital
KEYSTONE CUSTODIAN FUNDS, INC. Class A, common	MONUMENTAL CORPORATION \$5.00 par common
KING RESOURCES COMPANY Common	MOORE, SAMUEL AND COMPANY No par common
KUHLMAN CORPORATION \$1.00 par common	MURPHY PACIFIC MARINE SALVAGE COMPANY No par common
LANCE INC. \$2.50 par common	MUTUAL SAVINGS LIFE INSURANCE COMPANY Common
LANDA INDUSTRIES, INC. \$.10 par common	NCNB CORPORATION \$5.00 par common
LANE WOOD, INC. No par common	NLT CORPORATION \$5.00 par common

NATIONAL BANK OF DETROIT Common capital	PABST BREWING COMPANY Common
NATIONAL CITY BANK OF CLEVELAND, THE \$8.00 par common	PANOIL COMPANY \$.10 par common
NATIONAL LIBERTY CORPORATION Common	PARKER DRILLING COMPANY \$1.00 par common
NATIONAL LIFE OF FLORIDA CORPORATION Common	PARKVIEW-GEM, INC. Common
NATIONAL MEDICAL ENTERPRISES Class A, Common	PAULEY PETROLEUM INC. Common
NATIONAL OLD LINE INSURANCE COMPANY Class BB, non-voting, \$1.00 par common	PAVELLE CORPORATION, THE \$.10 par common
NATIONAL SEMICONDUCTOR CORPORATION Common	PAY'N SAVE CORPORATION No par common
NATIONAL STUDENT MARKETING CORP. \$.01 par common	PENNSYLVANIA ENGINEERING CORPORATION Common
NATIONAL WESTERN LIFE INSURANCE CO. Class A, common	PENNSYLVANIA GAS AND WATER COMPANY Common
NATIONWIDE CORPORATION Class A, common	PENNSYLVANIA LIFE COMPANY \$1.00 par common
NEW ENGLAND GAS AND ELECTRIC ASSOCIATION \$4.00 par common	PETTIBONE CORPORATION \$10.00 par common
NEW ENGLAND MERCHANTS NATIONAL BANK \$5.00 par capital	PHILADELPHIA LIFE INSURANCE COMPANY \$1.00 par common
NEW JERSEY NATIONAL BANK AND TRUST COMPANY Common	PHILADELPHIA SUBURBAN CORPORATION \$1.00 par common
NEWHALL LAND AND FARMING COMPANY, THE Common	PHOTON, INC. \$1.00 par common
NICHOLSON FILE COMPANY \$1.00 par common	PIEDMONT AVIATION, INC. \$1.00 par common
NIELSEN, A. C. COMPANY Class A, common Class B, common	PITTSBURGH NATIONAL CORPORATION \$10.00 par common
NORTH AMERICAN LIFE & CASUALTY COMPANY \$1.00 par common	PIZZA HUT, INC. \$.01 par common
NORTH CAROLINA NATURAL GAS CORP. \$2.50 par common	PROFESSIONAL GOLF COMPANY, INC. Common
NORTH CENTRAL AIRLINES INC. \$.20 par common	PROVIDENT LIFE & ACCIDENT INSURANCE CO. Common
NORTHWEST NATURAL GAS COMPANY \$3.00-1/6 par common	PROVIDENT LIFE INSURANCE COMPANY \$2.50 par common
NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY \$2.50 par common	PROVIDENT NATIONAL CORPORATION \$1.00 par common
NOXELL CORPORATION Class B, non-voting, \$1.00 par common	PUBLIC SERVICE COMPANY OF NEW HAMPSHIRE \$5.00 par common
OCEAN DRILLING & EXPLORATION COMPANY \$.50 par common	PUBLIC SERVICE COMPANY OF NEW MEXICO \$5.00 par common
OHIO ART COMPANY Common	PUBLIC SERVICE Co. of N. C., INC. \$1.00 par common
OHIO CASUALTY CORPORATION \$.50 par common	PUBLISHERS COMPANY, INC. \$.40 par common
OIL SHALE CORPORATION, THE \$.15 par common	RANSBURG ELECTRO-COATING CORP. Common
OLD LINE LIFE INSURANCE COMPANY OF AMERICA, THE \$1.33 $\frac{1}{3}$ par common	RECOGNITION EQUIPMENT INCORPORATED \$.25 par common
ORMONT DRUG & CHEMICAL Co., INC. \$.10 par common	REPUBLIC NATIONAL BANK OF DALLAS \$6.00 par capital
OTTER TAIL POWER COMPANY Common	REPUBLIC NATIONAL LIFE INSURANCE COMPANY Common
OVERSEAS NATIONAL AIRWAYS, INC. \$1.00 par common	RICHMOND CORPORATION Common
OZITE CORPORATION \$1.00 par common	RIGGS NATIONAL BANK Common
PNB CORPORATION \$1.00 par common	RIVAL MANUFACTURING COMPANY Common
	ROBERTS COMPANY \$1.00 par common

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RUSSELL STOVER CANDIES, INC. Common	TAYLOR WINE COMPANY, INC., THE \$2.00 par common
SAFECO CORPORATION \$5.00 par common	TEXAS AMERICAN OIL CORPORATION Common
SCIENTIFIC CONTROL CORPORATION \$.20 par common	TEXAS INTERNATIONAL AIRLINES, INC. Common
SCOTT, O. M. & SONS COMPANY, THE Class A, non-voting, \$.10 par common	TIFFANY AND COMPANY \$1.00 par common
SCRIPTO, INC. \$.50 par common	TITAN GROUP, INC. \$1.00 par common
SEATTLE-FIRST NATIONAL BANK \$10.00 par common	TRACOR, INC. Common
SECURITY NATIONAL BANK (Huntington, New York) \$5.00 par common	TRANSCONTINENTAL GAS PIPE LINE CORPORATION \$.50 par common
SECURITY PACIFIC NATIONAL BANK \$10.00 par capital	TRAVELODGE INTERNATIONAL, INC. No par common
SEISMIC COMPUTING CORP. \$.10 par common	TRICO PRODUCTS CORPORATION No par common
SEVEN-UP COMPANY, THE \$1.00 par common	TROPICANA PRODUCTS, INC. Common
SHAKESPEARE COMPANY Common	TRUST COMPANY OF NEW JERSEY, THE \$2.50 par common capital
SHAREHOLDERS CAPITAL CORPORATION \$.50 par common	TYSON'S FOODS, INC. Common
SHAWMUT ASSOCIATION, INC. Common	UNICOA CORPORATION (UNITED INSURANCE COMPANY OF AMERICA) \$2.50 par common
SHOP RITE FOODS, INC. Common	UNITED CONVALESCENT HOSPITALS, INC. \$1.00 par common
SIMON & SCHUSTER INC. Common	UNITED ILLUMINATING COMPANY, THE No par common
SMITH'S TRANSFER CORPORATION \$2.50 par common	UNITED LIFE & ACCIDENT INSURANCE Co. Capital
SOUTHERN INDUSTRIES CORPORATION No par common	UNITED SERVICES LIFE INSURANCE COMPANY \$1.00 par common
SOUTHERN NEW ENGLAND TELEPHONE COMPANY, THE \$25.00 par common	UNITED STATES BANKNOTE CORPORATION \$1.00 par common
SOUTHERN UNION GAS COMPANY \$1.00 par common	UNITED STATES FIDELITY AND GUARANTY COMPANY Common
SOUTHLAND CORPORATION, THE \$.01 par common	UNITED STATES TRUST COMPANY OF NEW YORK \$5.00 par capital
SOUTHWEST GAS CORPORATION Common	UNITED VIRGINIA BANKSHARES INCORPORATED \$10.00 par common
SOUTHWEST GAS PRODUCING COMPANY, INC. \$1.00 par common	VALLEY NATIONAL BANK OF ARIZONA, THE \$2.50 par common
SOUTHWESTERN LIFE INSURANCE COMPANY \$2.50 par capital	VARIABLE ANNUITY LIFE INSURANCE COMPANY, THE \$1.00 par common
SOVEREIGN INDUSTRIES, INC. \$.04 par common	VIRGINIA COMMONWEALTH BANKSHARES \$5.00 par common
SPANG INDUSTRIES INC. \$1.00 par common	VIRGINIA NATIONAL BANK \$5.00 par capital
ST. PAUL COMPANIES, INC., THE Common	WPNB CORPORATION \$5.00 par common
STANDARD REGISTER COMPANY, THE Common	WALLACE BUSINESS FORMS, INC. \$5.00 par common
STATE STREET BANK AND TRUST COMPANY \$10.00 par common	WARNER ELECTRIC BRAKE & CLUTCH COMPANY \$1.00 par common
SUBSCRIPTION TELEVISION, INC. \$.01 par capital	WASHINGTON NATIONAL CORPORATION \$5.00 par common
SUGARDALE FOODS, INC. No par common	WASHINGTON NATURAL GAS COMPANY \$5.00 par common
SUPERIOR ELECTRIC COMPANY, THE \$1.00 par common	WATER TREATMENT CORPORATION Common
TAMPAX INCORPORATED \$1.00 par common	WEBB RESOURCES, INC. \$.10 par common
TASSETTE, INC. Common	

WELLINGTON MANAGEMENT COMPANY
Class A, common
WERNER CONTINENTAL, INC.
\$.50 par common
WESTERN GEAR CORPORATION
\$1.00 par common
WESTERN PUBLISHING COMPANY, INC.
\$1.00 par, \$2.50 stated common
WESTGATE-CALIFORNIA CORPORATION
Class A, \$5.00 par common

WHITE SHIELD CORPORATION
\$.05 par common
WINNEBAGO INDUSTRIES, INC.
\$.50 par common
WISCONSIN POWER & LIGHT COMPANY
Common
WOODWARD & LOTHROP INCORPORATED
\$10.00 par common

Announcements

CHANGES IN BOARD'S STAFF

The Board of Governors of the Federal Reserve System announced the appointment of Frank O'Brien, Jr., as a Special Assistant to the Board, effective September 8, 1970.

Formerly Chief of Information Services for the International Finance Corporation in the World Bank Group Department of Information and Public Affairs, Mr. O'Brien has been a foreign correspondent and a financial-economic writer for The Associated Press; Assistant Director (Editorial) of the Research Staff of the Committee for Economic Development; and Deputy Assistant to the Secretary of the Treasury for Public Affairs. He is a graduate of the University of Missouri.

The Board also appointed Ralph C. Bryant as an Associate Adviser in the Division of International Finance, effective September 21, 1970.

Mr. Bryant joined the Board's staff in June 1965 and was appointed Assistant to the Director of the Division of International Finance in January 1967. He has recently returned from a year's leave of absence, which he spent in London carrying out research under an International Affairs Fellowship awarded by the Council on Foreign Relations. He holds two degrees from Yale University and one from Oxford, where he was a Rhodes Scholar.

ELECTION OF DIRECTOR

William D. Eberle, President and Chief Executive Officer of American Standard, Inc., New York, New York, was elected a Class B director of the Federal Reserve Bank of New York on September 10, 1970, for the remainder of a term expiring December 31, 1970. Mr. Eberle succeeds Arthur K. Watson, who resigned as a director effective April 16, 1970, prior to assuming his post as U.S. Ambassador to France.

APPOINTMENT OF DIRECTOR

Wayne W. Pyeatt, President of National Bank of Commerce, Memphis, Tennessee, was appointed a director of the Memphis Branch of the Federal Reserve Bank of St. Louis, effective September 10, 1970, for the remainder of a term expiring December 31, 1972. Mr. Pyeatt succeeds Lewis K. McKee, Chairman of the Board of National Bank

of Commerce, who resigned as a director on August 18, 1970.

FOREIGN CREDIT RESTRAINT GUIDELINES

The Board of Governors on September 16, 1970, amended an export loan definition in the guidelines under which U.S. banks limit their lending to foreigners. Banks may now count export term loans of any size against their Export Term-Loan Ceilings under the voluntary foreign credit restraint guidelines. Heretofore, only such loans amounting to \$250,000 or more each were to be counted under those ceilings.

Governor Andrew F. Brimmer, the member of the Board who has responsibility for administering the guidelines, explained that the \$250,000 floor had been carried over, along with other criteria, from a Treasury Department reporting requirement. The latter requirement had been adopted because it was already in wide use among banks when the Export Term-Loan Ceilings were created in December 1969 as a supplement to General Ceilings. Experience since that date indicates that the dollar floor for export term loans can be dropped without administrative difficulty and with some benefit, particularly for smaller banks, as well as for smaller exporters who seek to arrange credits for their foreign customers.

Use of the Export Term-Loan Ceilings, Governor Brimmer added, has grown modestly. Presently, these Ceilings in the aggregate are \$1.4 billion—compared to an aggregate of \$10 billion of General Ceilings—and outstanding loans on exports shipped since December 1, 1969, have only recently surpassed \$100 million. Some export term loans, he pointed out, are exempt from the guidelines under other provisions; for example, loans to Canadians, loans guaranteed by the Export-Import Bank, and loans covered by FCIA (Foreign Credit Insurance Association) insurance.

The amendment is effective starting with the current monthly reporting period. This means that export term loans, regardless of size, granted after August 31, 1970, may be charged to a bank's Export Term-Loan Ceiling rather than to its General Ceiling.

ASSETS AND LIABILITIES OF OVERSEAS BRANCHES OF MEMBER BANKS, END OF YEAR, 1968 AND 1969

In millions of dollars, unless otherwise indicated

Item	England and Ireland		Continental Europe		Latin America			Far East		U.S. overseas areas and trust territories		Near East and Africa		Total	
	1968	1969	1968	1969	1968 (incl. Bahamas)	1969		1968	1969	1968	1969	1968	1969	1968	1969
						Bahamas	All other								
Assets															
Cash.....	2,201	5,806	638	1,178	251	507	267	150	146	42	59	53	41	3,335	8,004
Loans.....	4,933	6,990	1,416	1,813	880	891	863	1,308	1,585	551	703	137	134	9,225	12,979
Due from head offices and U.S. branches.....	4,291	9,836	923	1,809	97	1,328	26	418	408	411	918	7	12	6,147	14,337
Other.....	1,752	2,121	1,144	1,664	508	267	428	787	1,118	33	124	87	78	4,311	5,800
Total.....	13,177	24,753	4,121	6,464	1,736	2,993	1,584	2,663	3,257	1,037	1,804	284	265	23,018	41,120
Liabilities															
Deposits:															
Demand.....	1,343	1,508	623	791	570	86	614	513	630	294	402	100	71	3,443	4,102
Time.....	10,501	21,223	2,283	3,871	638	2,733	344	839	1,020	505	1,054	166	173	14,932	30,418
Due to head offices and U.S. branches.....	64	15	105	117	152	25	112	193	322	223	213	1	2	738	806
Other.....	1,269	2,007	1,110	1,685	376	149	514	1,118	1,285	15	135	17	19	3,905	5,794
Total.....	13,177	24,753	4,121	6,464	1,736	2,993	1,584	2,663	3,257	1,037	1,804	284	265	23,018	41,120
Number of branches.....	35	40	46	64	178	31	203	72	76	35	38	9	7	375	459

NOTE.—Data are from Board of Governors of the Federal Reserve System.

OVERSEAS BRANCHES OF MEMBER BANKS

Total assets of the overseas branches of member banks increased by \$18.1 billion, or 79 per cent, during 1969 to a total of \$41.1 billion, the Board of Governors announced on September 3, 1970, in releasing data showing balance sheet items of overseas branches at the beginning and end of the year. The data cover the 459 overseas branches in active operation at the end of 1969 and include assets and liabilities payable in U.S. dollars as well as those payable in currencies of the countries where the branches are located and in other foreign currencies.

The Board noted that the preponderance of the increase in total branch assets in 1969—77 per cent—was again accounted for by the branches in Europe, particularly those in London. The \$14 billion deposit growth in the European branches was almost entirely in time deposits, mainly Euro-dollars, which almost doubled.

Amounts due from head offices and United States branches rose by 133 per cent to \$14.3 billion. Reflecting the marked tightening of credit

conditions in the United States, balances obtained in the Euro-dollar market for head office use sharply increased around midyear. Loans at overseas branches expanded by \$3.8 billion, or 41 per cent, continuing the rate of increase for 1968. Because of the growth in the number of branches in the Bahamas, data for those branches are shown separately in the table for 1969; for previous years they were included in Latin America.

NEW COMMUNICATIONS NETWORK

The Federal Reserve announced on September 4, 1970, the completion of the first phase of its new communications network that will result ultimately in the transfer of money, securities, and economic statistics at speeds up to 40 times faster than the conventional teletypewriter system that has been in use the past 17 years.

Activation of the new electronic transfer system, designed to handle the heavy communications loads anticipated during the 1970's and beyond, constitutes a further step in the Federal Reserve's program of adapting its operations to developments in the data processing and transmission fields.

Announcements

ADVISORY COMMITTEE ON TRUTH IN LENDING

The Board of Governors of the Federal Reserve System announced on October 13, 1970, the appointment of 10 new members to its Advisory Committee on Truth in Lending and the reappointment of 10 others who have served since the Committee was organized in September 1968.

The 20-member group was established by the Board in accordance with the Federal Truth in Lending Act that went into effect on July 1, 1969. As provided by law, Committee members represent the public, lenders, and sellers of merchandise on credit. In addition, the Board sought to achieve a broad geographical representation among the group's membership.

The Board also amended the Committee's Rules of Organization and Procedure to provide for a rotating membership. Ten new members will be appointed each year for 2-year terms and, beginning next year, a Committee member may be reappointed only after a lapse of 1 year following the expiration of his term. The 10 new Committee members were appointed for 2-year terms expiring on June 30, 1972. Members who were reappointed will serve 1-year terms expiring on June 30, 1971.

Dr. Richard H. Holton, dean of the School of Business Administration at the University of California, Berkeley, and one of the Committee's public members, was reappointed chairman for a term expiring next June 30.

Committee members are as follows:

REAPPOINTED

Dr. Richard H. Holton, Chairman
Dean, School of Business Administration
University of California
Berkeley, California

James M. Barry
Managing Director
Texas Credit Union League
Dallas, Texas

O. C. Carmichael, Jr.
Chairman of the Board
Associates Investment Company
South Bend, Indiana

John E. Eidam
Former President
Omaha Bank for Cooperatives
Omaha, Nebraska

William F. James
President
Bill James Chevrolet Company
St. Louis, Missouri

Robert J. Klein
Economics Editor
Consumers Union of the U.S., Inc.
Mount Vernon, New York

William F. Melville, Jr.
Senior Vice President
Maryland National Bank
Baltimore, Maryland

Mrs. Doris E. Saunders
Staff Associate for Public Information
and Neighborhood Relations
Office of the Chancellor
Chicago Circle Campus
University of Illinois
Chicago, Illinois

Miles C. Stanley
President
West Virginia Labor Federation, AFL-CIO
Charleston, West Virginia

Miss Barbara A. Zimmelman
Consultant, Urban and Economic
Development
Houston, Texas

NEW APPOINTEES

H. D. Allen
Assistant Credit Sales Manager
Rich's Department Store
Atlanta, Georgia

Edwin B. Brooks, Jr.
President
Security Federal Savings & Loan Association
Richmond, Virginia

Miss Barbara A. Curran
Senior Research Attorney
American Bar Foundation
Chicago, Illinois

Dr. Louis F. Del Duca
Director of Admissions and Professor of Law
Dickinson School of Law
Carlisle, Pennsylvania

Mrs. Lynnett Taylor
Executive Director
Delta Sigma Theta Sorority
Washington, D. C.

Robert R. Masterton
President
Maine Savings Bank
Portland, Maine

Mrs. Faith K. Prior
Extension Specialist
University of Vermont
Burlington, Vermont

Robert W. Pullen
Administrative Vice President
Colby College
Waterville, Maine

Peter R. Thompson
President
Mid-Continent Properties, Inc.
Piqua, Ohio

Harry R. Valas
Vice President
Valas Corporation
Denver, Colorado

CHANGES IN OTC MARGIN STOCKS

The Board of Governors announced on September 18, 1970, several changes in its "List of OTC Margin Stocks" as revised on July 20.

Four stocks are deleted: Eli Lilly and Company, \$1.25 par common; MPB Corporation, \$1.00 par common; United States Fidelity and Guaranty Company, common; and Hartford Fire Insurance Company, common.

Other changes are as follows: New Jersey National Bank and Trust, common, becomes New Jersey National Bank, common; and State Street Bank and Trust, \$10.00 par common, is changed to State Street Boston Financial Corporation, \$10.00 par common; Empire Life Insurance Company of America, \$1.00 par common, is corrected to read Empire Life Insurance Company of America, Class A, \$1.00 par common; and Hamilton International Corporation, Class A, common, now reads as Hamilton International Corporation, common.

ERRATA

In the August 1970 BULLETIN certain data were incorrectly shown in the tables on income, expenses, and dividends for (1) all insured commercial banks (p. A 98) and (2) all member banks grouped by size of total deposits (p. A 107).

The correct figures are as follows (in thousands of dollars):

Page A 98

	All insured banks
Operating expenses	
Interest on:	
Time and savings deposits.....	9,065,709
Other borrowed money.....	564,766
Other operating expenses.....	3,990,031

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Equity capital and reserves (3rd line above bottom of table)

Size group—Total deposits (in thousands of dollars)	
Total.....	35,508,543
Less than 2,000.....	38,007
2,000-5,000.....	392,151
5,000-10,000.....	1,071,609
10,000-25,000.....	2,548,092
25,000-50,000.....	2,316,676
50,000-100,000.....	2,164,294
100,000-500,000.....	6,926,042
500,000 or more.....	20,051,672

ADMISSION OF STATE BANK TO MEMBERSHIP IN FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period September 16, 1970, through October 15, 1970:

Tennessee

Sweetwater..... Monroe County Bank

Announcements

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System on November 10, 1970, unanimously approved actions by the directors of the Federal Reserve Banks of Boston, Richmond, Atlanta, St. Louis, Minneapolis, and San Francisco reducing the discount rate of those banks from 6 to 5¾ per cent, effective Wednesday, November 11.

The move was in recognition of reductions that have taken place recently in other short-term interest rates and is designed to bring the discount rate—the rate charged member banks for borrowings from their district Federal Reserve Banks—into better alignment with short-term rates generally.

The reduction in the discount rate, made within the framework of the moderately expansive monetary policy that was initiated earlier this year, is the first since August 1968, when the rate was lowered from 5½ to 5¼ per cent. The discount rate was increased to 5½ per cent on December 18, 1968, and to 6 per cent on April 4, 1969.

The Board of Governors later approved similar actions by the directors of the Federal Reserve Banks of New York, Cleveland, Chicago, Kansas City, and Dallas, effective Friday, November 13, and by the directors of the Federal Reserve Bank of Philadelphia effective Monday, November 16. As of November 16, the rate in effect at all Federal Reserve Banks was 5¾ per cent.

RESIGNATION OF DIRECTOR

Fred O. MacFee, Jr., who had served since January 1, 1970, as a Bank-appointed director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland, resigned effective October 1, 1970. Mr. MacFee, who had been Vice President and General Manager of the Aircraft Engine Operating Division of the General Electric Company at Cincinnati, has been transferred to Lynn, Massachusetts.

TRUST ASSETS OF BANKS

Insured commercial banks had trust assets of approximately \$280.1 billion in December 1969. Of this total, \$181 billion, or almost 65 per cent, was invested in common stock. These are among the figures recently made available in the report "Trust

Assets of Insured Commercial Banks—1969." Data on trust assets in various types of trust accounts were collected on a uniform basis by the Federal Reserve System, the Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation for the second successive year from the banks under their respective supervision. The data were tabulated and published by the FDIC and were compared with data published for 1968.

The report also provides detailed data on the number of trust accounts and the amount of trust investments in banks by State and by size of the trust department. Of total trust assets of \$280.1 billion reported by almost 3,300 commercial banks, approximately \$132.8 billion was in personal trusts and estates, \$95.5 billion in employee benefit trusts and agencies, and \$51.8 billion in personal agencies.

Further, total trust assets by type of account are listed for each of the 300 largest trust departments.

A limited number of copies of the report are available. Requests for single copies from the Board may be addressed to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

TRUST ASSETS OF INSURED COMMERCIAL BANKS—DECEMBER 1969

In billions of dollars unless otherwise indicated

Item	Total trusts and agencies	Type of account			
		Personal trusts & estates	Employee benefit		Personal agencies
			Trusts	Agencies	
Common stock	181.0	88.4	54.8	4.4	33.4
Other investments . . .	99.1	44.4	31.6	4.7	18.4
Total	280.1	132.8	86.4	9.1	51.8
Number of accounts (thousands)	1,028.4	797.1	105.4	6.6	119.3

CONSUMER CREDIT TABLES

The consumer credit tables in the statistical section of this BULLETIN (pp. A 54–A 57) incorporate a

number of changes, reflecting primarily the re-grouping of holder institutions in line with present industry practices. The changes represent only a reorganization of data and do not affect previously published estimates of total instalment credit.

The "Financial institutions" section of the table on instalment credit (p. A54) shows holdings for commercial banks, finance companies, credit unions, and miscellaneous lenders. Commercial bank and credit union figures do not change; finance company figures reflect a combination of the previously published separate estimates for sales finance companies, consumer finance companies, and unpublished combined estimates for consumer loans of industrial loan companies and business finance companies that were included in "Other." The "Other" column—now titled "Miscellaneous lenders"—includes data for mutual savings banks and savings and loan associations that previously had been combined with industrial loan and business finance companies.

The table in the upper right corner of page A55 has been titled "Instalment Credit Held by Finance Companies" and includes combined figures for sales finance companies, consumer finance companies, and other finance companies—mainly business finance and industrial loan companies; the lower left table on the same page entitled "Instalment Credit Held by Other Financial Lenders" includes combined totals for credit unions, mutual savings banks, and savings and loan associations.

On page A57 the "Sales finance companies" column has been retitled "Finance companies"; the "Other financial institutions" column has become "Other financial lenders."

CHANGES IN OTC MARGIN STOCKS

The Board of Governors on November 13, 1970, announced several changes, effective Monday, November 16, in its "List of OTC Margin Stocks" as revised last July 20.

Eight stocks are deleted: Bolt Beranek and Newman, Inc., no par common; Inexco Oil Company, \$.02 par common; National Semiconductor Corporation, common; Newhall Land and Farming Company, The, common; Public Service Company of New Hampshire, \$5.00 par common; Southern Union Gas Company, \$1.00 par common; Winnebago Industries, Inc., \$.50 par common; Dallas Airmotive, Inc., common.

Other changes are: Continental Mortgage Insurance Company, common, to CMI Investment Corporation, \$2.50 par common; New England Merchants National Bank, \$5.00 par capital, to New England Merchants Company, Inc., \$5.00 par capital; and Tassette, Inc., common, to read Tassette, Inc., Class A, common.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period September 16, 1970, through November 15, 1970:

New Jersey

Hamilton Township The Hamilton Bank

Virginia

Warrenton Bank of Warrenton

Announcements

ELECTION OF CLASS A AND CLASS B DIRECTORS

The Federal Reserve Banks have announced the results of the annual elections by their member banks of Class A and Class B directors as shown below. The directors have been elected to serve for 3 years, beginning January 1, 1971.

Boston

Class A RALPH A. MCININCH, President, Merchants National Bank, Manchester, New Hampshire. Mr. McIninch succeeds William R. Kennedy, President, Merrimack Valley National Bank, Andover, Massachusetts.

Class B G. WILLIAM MILLER, President, Textron Inc., Providence, Rhode Island. Mr. Miller succeeds James R. Carter, Chairman of the Board, Nashua Corporation, Nashua, New Hampshire.

New York

Class A WILLIAM S. RENCHARD, Chairman of the Board, Chemical Bank, New York, New York. Mr. Renchard succeeds R. E. McNeill, Jr., Chairman of the Board, Manufacturers Hanover Trust Company, New York, New York.

Class B WILLIAM D. EBERLE, President and Chief Executive Officer, American Standard Inc., New York, New York. (Re-elected)

Philadelphia

Class A RICHARD A. HERBSTER, President, Lewistown Trust Company, Lewistown, Pennsylvania. Mr. Herbster succeeds H. Lyle Duffey, Executive Vice President, The First National Bank, McConnellsburg, Pennsylvania.

Class B PHILIP H. GLATFELTER, III, Chairman of the Board and President, P. H. Glatfelter Co., Spring Grove, Pennsylvania. (Re-elected)

Cleveland

Class A EDWARD W. BARKER, President, First National Bank of Middletown, Ohio. Mr. Barker succeeds Seward D. Schooler, President, Coshocton National Bank, Coshocton, Ohio.

Class B JOHN L. GUSHMAN, President and Chief Executive Officer, Anchor Hocking Corporation, Lancaster, Ohio. (Re-elected)

Richmond

Class A THOMAS P. MCLACHLEN, President, McLachlen National Bank, Washington, D.C. Mr. McLachlen succeeds Giles H. Miller, Jr., President, The Culpeper National Bank, Culpeper, Virginia.

Class B H. DAIL HOLDERNESS, President, Carolina Telephone and Telegraph Company, Tarboro, North Carolina. (Re-elected)

Atlanta

Class A A. L. ELLIS, Chairman of the Board, First National Bank, Tarpon Springs, Florida. (Re-elected)

Class B HOSKINS A. SHADOW, President, Tennessee Valley Nursery, Inc., Winchester, Tennessee. (Re-elected)

Chicago

Class A MELVIN C. LOCKARD, President, First National Bank, Mattoon, Illinois. (Re-elected)

Class B HOWARD M. PACKARD, Vice Chairman, S. C. Johnson & Son, Inc., Racine, Wisconsin. (Re-elected)

St. Louis

Class A BRADFORD BRETT, President, The First National Bank of Mexico, Missouri. (Re-elected)

Class B FRED I. BROWN, Jr., President, Arkansas Foundry Company, Little Rock, Arkansas. Mr. Brown succeeds Mark Townsend, Chairman of the Board, Townsend Lumber Company, Inc., Stuttgart, Arkansas.

Minneapolis

Class A PHILIP H. NASON, President, The First National Bank, St. Paul, Minnesota. Mr. Nason succeeds Warren F. Vaughan, President, Security Trust & Savings Bank, Billings, Montana.

Class B DALE V. ANDERSEN, President, Mitchell Packing Company, Inc., Mitchell, South Dakota. (Re-elected)

Kansas City

Class A C. M. MILLER, President, The Farmers and Merchants State Bank, Colby, Kansas. (Re-elected)

Class B ALFRED E. JORDAN, Vice President, Trans World Airlines, Kansas City, Missouri. (Re-elected)

Dallas

Class A J. V. KELLY, President, The Peoples National Bank of Belton, Texas. (Re-elected)

Class B CARL D. NEWTON, Chairman of the Board, Fox-Stanley Photo Products, Inc., San Antonio, Texas. (Re-elected)

San Francisco

Class A RALPH J. VOSS, President, First National Bank of Oregon, Portland, Oregon. Mr. Voss succeeds Charles F. Frankland, Chairman of the Board, The Pacific National Bank of Washington, Seattle, Washington.

Class B MARRON KENDRICK, President and Chairman of the Board, Schlage Lock Company, San Francisco, California. (Re-elected)

CHANGE IN THE BOARD'S STAFF

Joe M. Jackson was appointed Assistant Director of the Division of Data Processing, effective November 15, 1970.

Mr. Jackson joined the Board's staff in May 1970, as Branch Manager of Systems Design, Division of Data Processing. Before coming to the Board, he was with the Department of the Army where he received that Department's second highest award, the Meritorious Civilian Service Award.

Mr. Jackson holds a B.S. degree from Georgia Institute of Technology and an M.S. from New York University, both in Applied Mathematics, and is working on a Doctorate in Business Administration at George Washington University.

DEATH OF RESERVE BANK PRESIDENT

Mr. W. Braddock Hickman, President of the Federal Reserve Bank of Cleveland, died on November 28, 1970. He had served as President since May 1, 1963.

DEATH OF DIRECTOR

Robert F. Leach, partner in Oppenheimer, Hodgson, Brown, Wolff & Leach, attorneys at law, St. Paul, Minnesota, who had served as a Class C director of the Federal Reserve Bank of Minneapolis since January 24, 1966, and as Chairman and Federal Reserve Agent since 1969, died on December 11, 1970.

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System announced on November 30, 1970, a further reduction in the Federal Reserve Bank discount rate to 5½ per cent.

At the same time, the Board announced steps to strengthen the inducement for American banks to retain their Euro-dollar liabilities and thus moderate the pace of repayments of Euro-dollar borrowings.

The reduction in the discount rate was accomplished as the Board approved actions by the directors of the Federal Reserve Banks reducing the discount rate at those banks from 5¾ to 5½ per cent, effective as follows:

F.R. Bank	Effective date
Boston, Cleveland, Atlanta, Minneapolis, and Dallas	Dec. 1, 1970
New York, Philadelphia, and San Francisco	Dec. 4, 1970
Kansas City	Dec. 10, 1970
Richmond, Chicago, and St. Louis	Dec. 11, 1970

The move was in recognition of the further downward trend in short-term interest rates in recent weeks. The discount rate had been reduced from 6 to 5¾ per cent effective November 11.

Three interrelated decisions were made by the Board regarding bank borrowings of Euro-dollars.

First, the Board raised from 10 to 20 per cent the reserves required from member banks against Euro-dollar borrowings that exceed amounts that the banks are allowed as a reserve-free base. The higher requirement is intended to give banks an added inducement to preserve their reserve-free bases presently at substantial levels against a time of future need, instead of allowing their bases to be lowered automatically by repaying their Euro-dollar borrowings. The higher requirement becomes effective in the current 4-week reserve computation period ending December 23.

In a second step, to assure that the higher marginal reserve requirement does not penalize banks that currently have Euro-dollar liabilities above their reserve-free bases, the Board also amended its regulations so as to make the marginal reserve requirement applicable to borrowings above either (1) the minimum base equal to a percentage of deposits, or (2) the average level in the reserve computation period ended November 25, whichever is higher.

Third, the Board amended its regulations to discourage repayment of Euro-dollar liabilities, not only by banks that use an historically determined reserve-free base originally related to their May 1969 borrowings, but also by those banks that operate under a minimum base equal to 3 per cent of their over-all deposits subject to reserve requirements. The amendment will apply the automatic downward adjustment to reserve-free bases of the latter kind as well as of the former. This amendment becomes effective with the reserve computation period ending January 20, 1971.

Although the steps announced were deliberately made of modest scale, the Board has under review other measures that might be adopted for the purpose of tempering the repayment of Euro-dollars while avoiding penalty to banks that operate so as to retain their reserve-free bases.

BIDS FOR ANNEX BUILDING

The Board of Governors on December 11, 1970, invited competitive bids for construction of an annex building to be situated immediately north of its present building on Constitution Avenue in

Washington. Construction is scheduled for completion during 1973.

Plans for the annex have been approved by the Fine Arts Commission and the National Capital Planning Commission.

Available office space has long been exhausted in the existing Federal Reserve building that was completed in 1937, and several hundred Board employees now occupy rented offices nearby. The

need for additional space has been intensified by new administrative, regulatory, and supervisory responsibilities assigned to the Board in recent years along with its efforts to improve economic research and data processing facilities.

Construction of the annex was postponed in April 1969 to minimize competition for scarce goods and services during a period of inflation due to excess demand.

Announcements

DESIGNATIONS AND APPOINTMENTS OF CHAIRMEN AND FEDERAL RESERVE AGENTS, DEPUTY CHAIRMEN, AND DIRECTORS

The Board of Governors of the Federal Reserve System announced its appointments at the Federal Reserve Banks and branches, effective January 1, 1971. The appointments are for Chairmen (who also serve as Federal Reserve Agents), Deputy Chairmen, and directors at the Federal Reserve Banks, and for directors at the Federal Reserve branches.

Names in CAPITALS indicate NEW appointments; all others are reappointments. Brief biographic data about each of the new appointees follow the listings.

CHAIRMEN AND FEDERAL RESERVE AGENTS (One-year terms)

Federal Reserve Bank:

Boston	James S. Duesenberry, Professor of Economics, Harvard University, Cambridge, Massachusetts
New York	Albert L. Nickerson, former Chairman of the Board, Mobil Oil Corporation, New York, New York
Philadelphia	BAYARD L. ENGLAND, Chairman of the Board, Atlantic City Electric Company, Atlantic City, New Jersey
Cleveland	Albert G. Clay, President, Clay Tobacco Company, Mt. Sterling, Kentucky
Richmond	Wilson H. Elkins, President, University of Maryland, College Park, Maryland
Atlanta	Edwin I. Hatch, President, Georgia Power Company, Atlanta, Georgia
Chicago	Emerson G. Higdon, President, The Maytag Company, Newton, Iowa
St. Louis	Frederic M. Peirce, Chairman of the Board and Chief Executive Officer, General American Life Insurance Company, St. Louis, Missouri
Minneapolis	DAVID M. LILLY, Chairman of the Board, Toro Manufacturing Corporation, Minneapolis, Minnesota
Kansas City	ROBERT W. WAGSTAFF, President, Kansas City Coca-Cola Bottling Company, Kansas City, Missouri
Dallas	CHARLES F. JONES, Vice Chairman of the Board, Humble Oil & Refining Company, Houston, Texas
San Francisco	O. Meredith Wilson, President and Director, Center for Advanced Study in the Behavioral Sciences, Stanford, California

DEPUTY CHAIRMEN (One-year terms)

Federal Reserve Bank:

Boston	LOUIS W. CABOT, Chairman of the Board, Cabot Corporation, Boston, Massachusetts
New York	ROSWELL L. GILPATRICK, Partner, Cravath, Swaine & Moore, Attorneys, New York, New York

DEPUTY CHAIRMEN—Continued

Philadelphia	D. ROBERT YARNALL, Jr., President, Yarway Corporation, Blue Bell, Pennsylvania
Cleveland	J. Ward Keener, Chairman of the Board and Chief Executive Officer, The B. F. Goodrich Company, Akron, Ohio
Richmond	Robert W. Lawson, Jr., Managing Partner of Charleston Office, Steptoe & Johnson, Charleston, West Virginia
Atlanta	John C. Wilson, President, Horne-Wilson, Inc., Atlanta, Georgia
Chicago	William H. Franklin, President, Caterpillar Tractor Company, Peoria, Illinois
St. Louis	SAM COOPER, President, HumKo Products, Memphis, Tennessee
Minneapolis	BRUCE B. DAYTON, Chairman of the Board, Dayton Hudson Corporation, Minneapolis, Minnesota
Kansas City	Willard D. Hosford, Jr., Vice President, General Manager, John Deere Company, Omaha, Nebraska
Dallas	PHILIP G. HOFFMAN, President, University of Houston, Houston, Texas
San Francisco	S. Alfred Halgren, Senior Vice President, Carnation Company, Los Angeles, California

FEDERAL RESERVE BANK DIRECTORS ¹
(Three-year terms)

Federal Reserve Bank:

Boston	John M. Fox, President, United Fruit Company, Division of United Brands Company, Boston, Massachusetts
New York	WHITNEY M. YOUNG, Jr., Executive Director, National Urban League, New York, New York
Philadelphia	JOHN R. COLEMAN, President, Haverford College, Haverford, Pennsylvania
Cleveland	J. Ward Keener (see above)
Richmond	Stuart Shumate, President, Richmond, Fredericksburg and Potomac Railroad Company, Richmond, Virginia
Atlanta	John C. Wilson (see above)
Chicago	JOHN W. BAIRD, President, Baird & Warner, Chicago, Illinois
St. Louis	HARRY M. YOUNG, Jr., Farmer, Herndon, Kentucky
Minneapolis	RUSS B. HART, President, Hart-Albin Company, Billings, Montana
Kansas City	ROBERT T. PERSON, President, Public Service Company of Colorado, Denver, Colorado
Dallas	JOHN LAWRENCE, Chairman of the Board and Chairman of the Executive Committee, Dresser Industries, Inc., Dallas, Texas
San Francisco	O. Meredith Wilson (see above)

¹ Each Federal Reserve Bank has a board of directors consisting of nine members, divided equally into three classes, known as Classes A, B, and C. The six A and B directors are elected by the member banks, and the three C

directors are appointed by the Board of Governors. One term in each class of directors expires at the end of each year. The Board of Governors appoints the Chairmen and Deputy Chairmen from among the Class C directors.

FEDERAL RESERVE BANK BRANCH DIRECTORS²
(Three-year terms unless otherwise indicated)

*Federal Reserve Bank
and Branch:*

<i>New York</i> Buffalo	RUPERT WARREN, President, Trico Products Corporation, Buffalo, New York
<i>Cleveland</i> Cincinnati	CLAIR F. VOUGH, Vice President, International Business Machines Corporation, Lexington, Kentucky
Pittsburgh	ROBERT E. KIRBY, President, Industry and Defense Products, Westinghouse Electric Corporation, Pittsburgh, Pennsylvania
<i>Richmond</i> Baltimore	John H. Fetting, Jr., President, A. H. Fetting Company, Baltimore, Maryland
Charlotte	CHARLES W. DeBELL, General Manager, North Carolina Works, Western Electric Company, Inc., Winston-Salem, North Carolina
<i>Atlanta</i> Birmingham	DAVID MATHEWS, President, University of Alabama, University, Alabama
Jacksonville	Henry Cragg, Vice President, Coca-Cola Company Foods Division, Orlando, Florida
Nashville	JAMES W. LONG, Farmer, Springfield, Tennessee
New Orleans	BROADUS N. BUTLER, President, Dillard University, New Orleans, Louisiana
<i>Chicago</i> Detroit	L. William Seidman, Resident Partner, Seidman & Seidman, Grand Rapids, Michigan
<i>St. Louis</i> Little Rock	ROLAND R. REMMEL, Chairman of the Board, Southland Building Products Co., Little Rock, Arkansas
Louisville	WILLIAM H. STROUBE, Assistant Dean, College of Science and Technology, Western Kentucky University, Bowling Green, Kentucky
Memphis	Alvin Huffman, Jr., President, Huffman Brothers Incorporated, Blytheville, Arkansas

² Branches of Federal Reserve Banks have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of Governors of the

Federal Reserve System. The announcement of the appointments of branch directors made by the Federal Reserve Banks is published on page 71.

FEDERAL RESERVE BANK BRANCH DIRECTORS—Continued

<i>Minneapolis</i> (2-year term)	
Helena	Warren B. Jones, Secretary-Treasurer, Two Dot Land and Livestock Company, Harlowton, Montana
<i>Kansas City</i> (2-year terms)	
Denver	David R. C. Brown, President, The Aspen Skiing Corporation, Aspen, Colorado
Oklahoma City	Florin W. Zaloudek, Manager, J. I. Case Implements, Kremlin, Oklahoma
Omaha	Henry Y. Kleinkauf, President, Natkin & Company, Omaha, Nebraska
<i>Dallas</i>	
El Paso	HERBERT M. SCHWARTZ, President, Popular Dry Goods Company, Inc., El Paso, Texas
Houston	M. Steele Wright, Jr., Chairman of the Board, Texas Farm Products Company, Nacogdoches, Texas
San Antonio	IRVING A. MATHEWS, President, Frost Bros., Inc., San Antonio, Texas
<i>San Francisco</i>	
Los Angeles	Norman B. Houston, Director, Golden State Mutual Life Insurance Company, Los Angeles, California
(2-year terms)	
Portland	JOHN R. HOWARD, President, Lewis and Clark College, Portland, Oregon
Salt Lake City	JOHN H. BRECKENRIDGE, President, L. L. Breckenridge Company, Twin Falls, Idaho
Seattle	C. Henry Bacon, Jr., Vice Chairman of the Board, Simpson Timber Company, Seattle, Washington

Federal Reserve Bank of Boston

LOUIS W. CABOT, Boston, Massachusetts, who has been serving as a Board-appointed director of the Federal Reserve Bank of Boston since January 1, 1970, was appointed Deputy Chairman of the Bank for the year 1971. He is Chairman of the Board of Cabot Corporation (chemical manufacturers) in Boston. As Deputy Chairman he succeeds John M. Fox, President of United Fruit Company, Division of United Brands Company, Boston, who was reappointed to a second three-year term as a director.

Federal Reserve Bank of New York

ROSWELL L. GILPATRIC, New York, New York, who has been serving as a Board-appointed director of the Federal Reserve Bank of New York since January 1, 1969, was appointed Deputy Chairman of the Bank for the year 1971. He is a partner in the law firm of Cravath, Swaine & Moore in New York City. As Deputy Chairman he succeeds James M. Hester, President of New York University, whose terms as Deputy Chairman and as a director expired December 31, 1970.

WHITNEY M. YOUNG, Jr., New York, New York, was appointed a Class C director of the Federal Reserve Bank of New York for a three-year term beginning January 1, 1971. He is Executive Director of the National Urban League in New York City. As a director he succeeds James M. Hester (see preceding paragraph).

RUPERT WARREN, Buffalo, New York, was appointed a director of the Buffalo Branch of the Federal Reserve Bank of New York for a three-year term beginning January 1, 1971. He is President of Trico Products Corporation (automotive products manufacturers) in Buffalo. As a director he succeeds Robert S. Bennett, former General Manager of the Lackawanna Plant of Bethlehem Steel Corporation, Buffalo, whose term as a director expired December 31, 1970.

Federal Reserve Bank of Philadelphia

BAYARD L. ENGLAND, Atlantic City, New Jersey, who has been serving as a Board-appointed director and had been Deputy Chairman of the Federal Reserve Bank of Philadelphia since March 3, 1966, was designated Chairman of the Bank for the year 1971. He is Chairman of the Board of Atlantic City Electric Company. As Chairman he succeeds Willis J. Winn, Dean of the Wharton

School of Finance and Commerce of the University of Pennsylvania, Philadelphia, whose terms as Chairman and as a director expired December 31, 1970.

D. ROBERT YARNALL, Jr., Blue Bell, Pennsylvania, who has been serving as a Board-appointed director of the Federal Reserve Bank of Philadelphia since January 1, 1965, was appointed Deputy Chairman of the Bank for the year 1971. He is President of Yarway Corporation (heavy equipment manufacturing) in Blue Bell. As Deputy Chairman he succeeds Bayard L. England (see preceding paragraph).

JOHN R. COLEMAN, Haverford, Pennsylvania, was appointed a Class C director of the Federal Reserve Bank of Philadelphia for a three-year term beginning January 1, 1971. He is President of Haverford College. As a director he succeeds Willis J. Winn (see two paragraphs above).

Federal Reserve Bank of Cleveland

CLAIR F. VOUGH, Lexington, Kentucky, was appointed a director of the Cincinnati Branch of the Federal Reserve Bank of Cleveland for a three-year term beginning January 1, 1971. He is Vice President of International Business Machines Corporation in Lexington. As a director he succeeds Orin E. Atkins, President of Ashland Oil, Inc., Ashland, Kentucky, whose term as a director expired December 31, 1970.

ROBERT E. KIRBY, Pittsburgh, Pennsylvania, was appointed a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a three-year term beginning January 1, 1971. He is President of Industry and Defense Products of Westinghouse Electric Corporation in Pittsburgh. As a director he succeeds Bob Rawls Dorsey, President of Gulf Oil Corporation, Pittsburgh, whose term as a director expired December 31, 1970.

Federal Reserve Bank of Richmond

CHARLES W. DeBELL, Winston-Salem, North Carolina, was appointed a director of the Charlotte Branch of the Federal Reserve Bank of Richmond for a three-year term beginning January 1, 1971. He is General Manager of the North Carolina Works of Western Electric Company, Inc., in Winston-Salem. As a director he succeeds William B. McGuire, President of Duke Power Com-

pany, Charlotte, North Carolina, whose term as a director expired December 31, 1970.

Federal Reserve Bank of Atlanta

DAVID MATHEWS, University, Alabama, was appointed a director of the Birmingham Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1971. He is President of the University of Alabama. As a director he succeeds Caldwell Marks, Chairman of the Board of Motion Industries, Inc., Birmingham, Alabama, whose term as a director expired December 31, 1970.

JAMES W. LONG, Springfield, Tennessee, was appointed a director of the Nashville Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1971. He is a farmer in Springfield. As a director he succeeds Robert M. Williams, President of ARO Inc., Tullahoma, Tennessee, whose term as a director expired December 31, 1970.

BROADUS N. BUTLER, New Orleans, Louisiana, was appointed a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1971. He is President of Dillard University in New Orleans. As a director he succeeds Robert H. Radcliff, Jr., President, Southern Industries Corporation, Mobile, Alabama, whose term as a director expired December 31, 1970.

Federal Reserve Bank of Chicago

JOHN W. BAIRD, Chicago, Illinois, was appointed a Class C director of the Federal Reserve Bank of Chicago for a three-year term beginning January 1, 1971. He is President of Baird & Warner, Inc. (real estate) in Chicago. As a director he succeeds Franklin J. Lunding, Chairman of the Finance Committee, Jewel Companies, Inc., Melrose Park, Illinois, whose term as a director expired December 31, 1970.

Federal Reserve Bank of St. Louis

SAM COOPER, Memphis, Tennessee, who has been serving as a Board-appointed director of the Federal Reserve Bank of St. Louis since January 1, 1969, was appointed Deputy Chairman of the Bank for the year 1971. He is President of HumKo Products (division of Kraftco Corporation) in Memphis. As Deputy Chairman he succeeds Smith D. Broadbent, Jr., owner of Broadbent Hybrid Seed

Co., Cadiz, Kentucky, whose terms as Deputy Chairman and as a director expired December 31, 1970.

HARRY M. YOUNG, Jr., Herndon, Kentucky, was appointed a Class C director of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1971. He is a farmer in Herndon. As a director he succeeds Smith D. Broadbent, Jr. (see preceding paragraph).

ROLAND R. REMMEL, Little Rock, Arkansas, was appointed a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1971. He is Chairman of the Board of Southland Building Products Co. in Little Rock. As a director he succeeds Fred I. Brown, Jr., President, Arkansas Foundry Company, Little Rock, whose term as a director expired December 31, 1970.

WILLIAM H. STROUBE, Bowling Green, Kentucky, was appointed a director of the Louisville Branch of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1971. He is Assistant Dean of the College of Science and Technology of Western Kentucky University in Bowling Green. As a director he succeeds Harry M. Young, Jr. (see two paragraphs above), whose term as a director expired December 31, 1970.

Federal Reserve Bank of Minneapolis

DAVID M. LILLY, Minneapolis, Minnesota, who has been serving as a Board-appointed director and had been Deputy Chairman of the Federal Reserve Bank of Minneapolis since January 1, 1969, was designated Chairman of the Bank for the year 1971. He is Chairman of the Board of Toro Manufacturing Corporation in Minneapolis. As Chairman he succeeds Robert F. Leach, an attorney with Oppenheimer, Hodgson, Brown, Wolff & Leach, St. Paul, Minnesota, who died December 11, 1970.

BRUCE B. DAYTON, Minneapolis, Minnesota, was appointed a Class C director of the Federal Reserve Bank of Minneapolis, effective January 1, 1971, for the remainder of a three-year term expiring December 31, 1971, and was appointed Deputy Chairman of the Bank for the year 1971. He is Chairman of the Board of Dayton Hudson Corporation (department stores) in Minneapolis. As a director he succeeds Robert F. Leach and as Deputy Chairman he succeeds David M. Lilly (see preceding paragraph).

RUSS B. HART, Billings, Montana, was appointed a Class C director of the Federal Reserve Bank of Minneapolis for a three-year term beginning January 1, 1971. He is President of Hart-Albin Company (retail stores) in Billings. As a director he succeeds Byron W. Reeve, President of Lake Shore, Inc., Iron Mountain, Michigan, whose term as a director expired December 31, 1970.

Federal Reserve Bank of Kansas City

ROBERT W. WAGSTAFF, Kansas City, Missouri, who has been serving as a Board-appointed director of the Federal Reserve Bank of Kansas City since January 1, 1969, was designated Chairman of the Bank for the year 1971. He is President of Kansas City Coca-Cola Bottling Company in Kansas City. As Chairman he succeeds Dolph Simons, Editor of the *Journal-World* in Lawrence, Kansas, whose terms as Chairman and as a director expired December 31, 1970.

ROBERT T. PERSON, Denver, Colorado, was appointed a Class C director of the Federal Reserve Bank of Kansas City for a three-year term beginning January 1, 1971. He is President of Public Service Company of Colorado in Denver. As a director he succeeds Dolph Simons (see preceding paragraph).

Federal Reserve Bank of Dallas

CHAS. F. JONES, Houston, Texas, who has been serving as a Board-appointed director of the Federal Reserve Bank of Dallas since October 22, 1968, and had been Deputy Chairman since January 1, 1970, was designated Chairman of the Bank for the year 1971. He is Vice Chairman of the Board of Humble Oil & Refining Company in Houston. As Chairman he succeeds Carl J. Thomsen, Senior Vice President, Texas Instruments Incorporated, Dallas, Texas, whose terms as Chairman and as a director expired December 31, 1970.

PHILIP G. HOFFMAN, Houston, Texas, who has been serving as a Board-appointed director of the Federal Reserve Bank of Dallas since January 1, 1970, was appointed Deputy Chairman for the year 1971. He is President of the University of Houston. As Deputy Chairman he succeeds Chas. F. Jones (see preceding paragraph).

JOHN LAWRENCE, Dallas, Texas, was appointed a Class C director of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1971. He is Chairman of the Board and Chairman of the Executive Committee of Dresser Industries, Inc. (oil field equipment), in Dallas. As a director he succeeds Carl J. Thomsen (see two paragraphs above).

HERBERT M. SCHWARTZ, El Paso, Texas, was appointed a director of the El Paso Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1971. He is President of Popular Dry Goods Company, Inc., in El Paso. As a director he succeeds Gordon W. Foster, Vice President, Farah Manufacturing Company, Inc., El Paso, whose term as a director expired December 31, 1970.

IRVING A. MATHEWS, San Antonio, Texas, was appointed a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1971. He is President of Frost Bros., Inc. (department store), in San Antonio. As a director he succeeds Lloyd M. Knowlton, General Manager, Knowlton's Creamery, San Antonio, whose term as a director expired December 31, 1970.

Federal Reserve Bank of San Francisco

JOHN R. HOWARD, Portland, Oregon, was appointed a director of the Portland Branch of the Federal Reserve Bank of San Francisco for a two-year term beginning January 1, 1971. He is President of Lewis and Clark College in Portland. As a director he succeeds Robert F. Dwyer, Partner, Dwyer Forest Products Company, Portland, whose term as a director expired December 31, 1970.

JOHN H. BRECKENRIDGE, Twin Falls, Idaho, was appointed a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for a two-year term beginning January 1, 1971. He is President of L. L. Breckenridge Company (farming) in Twin Falls. As a director he succeeds Peter E. Marble, a rancher at Death, Nevada, whose term as a director expired December 31, 1970.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS¹

The Federal Reserve Banks have announced the following appointments of branch directors. The appointments have been made for terms of three years beginning January 1, 1971, except as otherwise indicated. Names in CAPITALS indicate NEW appointments; all others are reappointments.

*Federal Reserve Bank
and Branch:*

*New York
Buffalo*

WILLIAM B. ANDERSON, President, The First National Bank of Jamestown, New York, succeeds Charles L. Hughes, President, The Silver Creek National Bank, Silver Creek, New York.

ANGELO A. COSTANZA, President and Chief Executive Officer, Central Trust Company, Rochester, New York, succeeds Wilmot R. Craig, Chairman of the Board, Lincoln Rochester Trust Company, Rochester, New York.

*Cleveland
Cincinnati*

PAUL W. CHRISTENSEN, Jr., President, Cincinnati Gear Company, Cincinnati, Ohio, succeeds Fred O. MacFee, Jr., Vice President and General Manager, Aircraft Engine Operating Division of General Electric Company, Cincinnati, Ohio. (2 years of term remain)

ROBERT E. HALL, President, The First National Bank and Trust Company, Troy, Ohio, succeeds Edward W. Barker, President, First National Bank of Middletown, Ohio. (2 years of term remain)

WILLIAM S. ROWE, President, The Fifth Third Bank, Cincinnati, Ohio, succeeds Fletcher E. Nyce, Chairman of the Board and Chief Executive Officer, The Central Trust Company, Cincinnati, Ohio.

Pittsburgh

MERLE E. GILLIAND, President and Chief Executive Officer, Pittsburgh National Bank, Pittsburgh, Pennsylvania, succeeds George S. Cook, President, Somerset Trust Company, Somerset, Pennsylvania.

*Richmond
Baltimore*

James J. Robinson, Executive Vice President, Bank of Ripley, West Virginia.

J. STEVENSON PECK, President, Union Trust Company of Maryland, Baltimore, Maryland, succeeds Adrian L. McCordell, Chairman of the Board, First National Bank of Maryland, Baltimore, Maryland.

¹ Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of Governors of the

Federal Reserve System. The announcement of appointments of branch directors made by the Board of Governors is published on page 66.

*Richmond—Continued***Charlotte**

C. C. Cameron, Chairman of the Board and President, First Union National Bank of North Carolina, Charlotte, North Carolina.

H. Phelps Brooks, Jr., President, The Peoples National Bank, Chester, South Carolina.

*Atlanta***Birmingham**

WALLACE D. MALONE, Jr., Chairman of the Board and President, First National Bank of Dothan, Alabama, succeeds George A. LeMaistre, President, City National Bank, Tuscaloosa, Alabama.

C. LOGAN TAYLOR, Chairman of the Board and President, The First State Bank of Oxford, Alabama, succeeds Arthur L. Johnson, President, Camden National Bank, Camden, Alabama.

Jacksonville

MALCOLM C. BROWN, Chairman of the Board and President, Florida First National Bank at Brent, Pensacola, Florida, succeeds John Y. Humphress, Executive Vice President, Capital City First National Bank, Tallahassee, Florida.

A. CLEWIS HOWELL, President, Marine Bank and Trust Company, Tampa, Florida, succeeds Harry Hood Bassett, Chairman of the Board, The First National Bank, Miami, Florida.

Nashville

DAN B. ANDREWS, President, First National Bank, Dickson, Tennessee, succeeds W. H. Swain, President, First National Bank, Oneida, Tennessee.

KENNETH L. ROBERTS, Executive Vice President, Commerce Union Bank, Nashville, Tennessee, succeeds Hubert A. Crouch, Jr., Executive Vice President, Third National Bank in Nashville, Tennessee.

New Orleans

T. A. FLANAGAN, Jr., President, Lakeside National Bank of Lake Charles, Louisiana, succeeds Lucien J. Hebert, Jr., Executive Vice President, Lafourche National Bank of Thibodaux, Louisiana.

LAWRENCE A. MERRIGAN, President, The Bank of New Orleans and Trust Company, New Orleans, Louisiana, succeeds Morgan Whitney, Senior Vice President, Whitney National Bank of New Orleans, Louisiana.

*Chicago***Detroit**

ELLIS B. MERRY, Chairman of the Board, National Bank of Detroit, Michigan, succeeds Raymond T. Perring, Chairman of the Board, The Detroit Bank and Trust Company, Detroit, Michigan.

St. Louis

Little Rock

Edward M. Penick, President and Chief Executive Officer, Worthen Bank & Trust Company, Little Rock, Arkansas.

Louisville

HERBERT J. SMITH, President, The American National Bank and Trust Company of Bowling Green, Kentucky, succeeds James C. Zimmerman, Executive Vice President, The Owensboro National Bank, Owensboro, Kentucky. (2 years of term remain)

HAROLD E. JACKSON, President, The Scott County State Bank, Scottsburg, Indiana, succeeds J. E. Miller, Executive Vice President, Sellersburg State Bank, Sellersburg, Indiana.

Memphis

J. J. White, President, Helena National Bank, Helena, Arkansas.

Minneapolis (2-year terms)

Helena

E. LOWRY KUNKEL, President, First National Bank, Anaconda, Montana, succeeds Charles H. Brocksmith, President, First Security Bank of Glasgow, N.A., Glasgow, Montana.

ROBERT I. PENNER, President, Citizens First National Bank of Wolf Point, Montana, succeeds Glenn H. Larson, President, First State Bank of Thompson Falls, Montana.

Kansas City (2-year terms)

Denver

Robert L. Tripp, President, Albuquerque National Bank, Albuquerque, New Mexico.

DALE R. HINMAN, President, The Greeley National Bank, Greeley, Colorado, succeeds Theodore D. Brown, Executive Vice President, The First National Bank of Denver, Colorado.

Oklahoma City

Marvin Millard, Chairman of the Board, National Bank of Tulsa, Oklahoma.

HUGH C. JONES, Executive Vice President, Bank of Woodward, Oklahoma, succeeds Charley M. Crawford, President, First National Bank in Frederick, Oklahoma.

Omaha

Edward W. Lyman, President, The United States National Bank of Omaha, Nebraska.

Dallas

El Paso

Cullen J. Kelly, President, The First National Bank of Midland, Texas.

Houston

KLEIN MCGEE, Chairman of the Board, Southern National Bank of Houston, Texas, succeeds A. G. McNeese, Jr., Chairman of the Board and Chief Executive Officer, Bank of the Southwest National Association, Houston, Texas.

San Antonio

Ray M. Keck, Jr., President, Union National Bank of Laredo, Texas.

San Francisco

Los Angeles

Linus E. Southwick, President, Valley National Bank, Glendale, California.

CARL E. HARTNACK, President, Security Pacific National Bank, Los Angeles, California, succeeds Harry J. Volk, Chairman of the Board and Chief Executive Officer, Union Bank, Los Angeles, California.

Carl E. Schroeder, President, The First National Bank of Orange County, Orange, California.

(2-year terms)

Portland

LeROY B. STAVER, President, United States National Bank of Oregon, Portland, Oregon, succeeds Ralph J. Voss, President, First National Bank of Oregon, Portland, Oregon. (1 year of term remains)

FRANK L. SERVOSS, President, Crater National Bank of Medford, Oregon, succeeds E. W. Firstenburg, Chairman of the Board and President, First Independent Bank, Vancouver, Washington.

James H. Stanard, Vice President, First National Bank of McMinnville, Oregon.

Salt Lake City

Roderick H. Browning, President, Bank of Utah, Ogden, Utah.

Roy W. Simmons, President and Chairman of the Executive Committee, Zions First National Bank, Salt Lake City, Utah.

Seattle

A. E. Saunders, President, Puget Sound National Bank, Tacoma, Washington.

Philip H. Stanton, President, Washington Trust Bank, Spokane, Washington.

CHANGES IN BOARD'S STAFF

The Board of Governors of the Federal Reserve System has announced the following promotions and appointments:

James L. Pierce promoted from Assistant Adviser to Associate Adviser in the Division of Research and Statistics, effective January 11, 1971.

James A. McIntosh promoted from Assistant Director to Director of the Division of Federal Reserve Bank Operations, effective January 23, 1971. He succeeds John R. Farrell, who retired January 22.

Harry J. Halley promoted from Assistant Controller to Deputy Controller and Program Director for Management Systems, effective January 11, 1971.

John S. Rippey appointed a Special Assistant to the Board, effective December 31, 1970, to assist Mr. Robert L. Cardon in maintaining liaison with Congress.

Edward C. Ettin appointed an Assistant Adviser in the Division of Research and Statistics, effective January 11, 1971.

A graduate of the University of Notre Dame, Mr. Rippey was legislative representative for the Consumer Bankers Association prior to his appointment to the Board's staff. Earlier positions had been with the Bureau of Federal Credit Unions and with CUNA International, the chief trade association for credit unions.

Mr. Ettin has been serving as Chief, Capital Markets Section, since January 1968. Prior to joining the Board's staff in 1965 he had been an Assistant Professor of Economics at Duke University. He holds M.B.A. and Ph.D. degrees from the University of Michigan.

RESIGNATION OF DIRECTOR

Tucker H. David, who served throughout 1970 as a Class A director of the Federal Reserve Bank of Boston, resigned effective January 1, 1971. He is Executive Vice President and Cashier of The Deep River National Bank of Deep River, Connecticut.

CHANGE IN DISCOUNT RATE

The Board of Governors on January 7, 1971, approved actions by the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and San Francisco, reducing the discount rates of those banks from 5½ to 5¼ per cent, effective Friday, January 8. (The rate was lowered by the Federal Reserve Bank of Atlanta,

effective January 11, and by the Federal Reserve Bank of Dallas, effective January 15, at which time the rate was 5¼ per cent at all Reserve Banks.)

The move was in recognition of further declines that have taken place in short-term interest rates. The last change in the discount rate—from 5¾ to 5½ per cent—was announced by the Board last November 30.

A further reduction to 5 per cent was approved by the Board, effective as follows:

F. R. Bank	Effective date
Boston, Philadelphia, Cleveland, Atlanta, Minneapolis, and Dallas	Jan. 19, 1971
Chicago	Jan. 21, 1971

AMENDMENT OF BOARD'S REGULATIONS

The Board of Governors on January 15, 1971, amended its regulations to permit U.S. banks to count toward maintenance of their reserve-free Euro-dollar bases any funds invested by their overseas branches in Export-Import Bank securities offered under the program announced on January 15 by the Export-Import Bank.

The amendment is a further step resulting from the Board's continuing review of measures needed to temper the adverse impact of Euro-dollar outflows on the U.S. balance of payments.

Euro-dollar borrowings by a member bank are subject to a 20 per cent reserve requirement to the extent that they exceed a bank's reserve-free base.

For those banks that have had a minimum (3 per cent of deposits) reserve-free base, the Board postponed for 4 weeks, through the computation period ending February 17, 1971, the application of the automatic downward adjustment of their bases.

EARNINGS AND EXPENSES OF THE FEDERAL RESERVE BANKS IN 1970

Preliminary figures received from the Federal Reserve Banks indicate that during 1970 their gross current earnings amounted to \$3,877 million. Expenses totaled \$321 million, leaving net current earnings of \$3,556 million. With an \$11 million net addition to profit and loss account, net earnings before payments to the U.S. Treasury were \$3,567 million. Payments to the U.S. Treasury as interest on Federal Reserve notes amounted to \$3,493 million; statutory dividends to member banks, \$41 million; and additions to surplus accounts, \$33 million.

Under the policy adopted by the Board of Governors at the end of 1964, all net earnings after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital

were paid to the U.S. Treasury as interest on Federal Reserve notes.

Compared with 1969, gross earnings were up \$504 million, or 15 per cent (see table). The principal changes in earnings were as follows: on Government securities, an increase of \$591 million; on foreign currencies, a decrease of \$73 million; and on discounts and advances, a decrease of \$15 million.

Expenses in 1970 were up \$46 million, about 17 per cent, and dividends increased \$2 million.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1970 and 1969

In thousands of dollars

Item	1970	1969
Current earnings.....	3,877,218	3,373,360
Current expenses.....	321,373	274,973
Current net earnings....	3,555,845	3,098,387
Net addition to or deduction from (—) current net earnings.....	11,442	—557
Net earnings before payments to U.S. Treasury.....	3,567,287	3,097,830
Dividends paid.....	41,136	39,237
Payments to U. S. Treasury (interest on F. R. notes)...	3,493,571	3,019,161
Transferred to surplus.....	32,580	39,432

EFFECTS OF VFCR PROGRAM

The Board of Governors of the Federal Reserve System released on January 7, 1971, a report on the results of an inquiry into the possible effects of the Voluntary Foreign Credit Restraint program on U.S. export financing and on U.S. exports.

The inquiry indicated that no significant amount of export credit was blocked during 1970 because of the VFCR guidelines.

The inquiry, conducted last fall after consultations with the Commerce Department, was aimed at determining the number and nature of loan requests that might have been turned down because of the VFCR—as well as the amount of any U.S. sales that may have been lost as the result of any rejected loans. Banks accounting for 92 per cent of all foreign credits subject to the guidelines were asked to provide information relating to any such transactions. Inquiries were also made of exporters identified by banks as having sought credit unsuccessful

fully in behalf of a foreign customer. Inquiries also went to more than 100 companies that had sought official U.S. help in financing export transactions.

Responses to the inquiry identified about a dozen exporters who purportedly were at first denied credit because of the VFCR. But in almost all of these cases, the responses indicated that the exporters were able to find other sources of financing to complete their export sales.

In announcing the results of the inquiry, Governor Andrew F. Brimmer, the member of the Board of Governors responsible for administration of the VFCR program, said it was the most comprehensive effort made to date to obtain data on the possible effect of the program on export financing and the possible impact on exports.

ECONOMETRIC MODEL

Over the past several years, members of the Board's research staff have worked jointly with economists from the academic community in the construction of an econometric model of the U.S. economy. This research project has been completed, and the joint venture was terminated at the end of 1970.

Interest in the outcome of this model-building project has been widespread. Numerous requests have been received by the Board's staff and their academic colleagues for copies of the model, for simulation runs, for advice on conversion of the model to alternative computer facilities, and for other assistance in the use and interpretation of the model.

To make possible a wide dissemination of the results of this research project at minimal cost, the Social Science Research Council's committee on Economic Stability, under whose direction and sponsorship the model construction took place, has arranged to make the model available to the public through Wharton EFA, Inc., a nonprofit corporation wholly owned by the University of Pennsylvania. Wharton EFA, Inc., has agreed to make available at incremental cost historical data files on cards or tape, a simulation program, and manuals describing variables, listing equations, and demonstrating simulation procedures. Inquiries concerning distribution of the model may be addressed to Wharton EFA, Inc., One University City, 4025 Chestnut Street, Philadelphia, Pennsylvania 19104.

It should be noted that the model distributed by Wharton EFA varies from the one presently being used by the Board's staff for current analytical purposes.

Announcements

CHANGE IN BOARD'S STAFF

Mr. Grasty Crews II was appointed Adviser in the Legal Division of the Board of Governors, effective February 1, 1971.

Mr. Crews has been a Consultant to the Board since November 1970, in connection with a congressionally directed study of proposed national bank tax legislation. His initial responsibilities within the Legal Division will relate to matters under the Bank Holding Company Act as amended in 1970.

A graduate of Stevens Institute of Technology, Mr. Crews received an LL.B. from the University of Virginia.

DEATH OF A RESERVE BANK PRESIDENT

Mr. Hugh D. Galusha, Jr., President of the Federal Reserve Bank of Minneapolis, died on January 31, 1971. He had served as President since May 1, 1965.

RESIGNATION OF DIRECTOR

Henry A. Thouron, who had served since April 1967, as a Class B director of the Federal Reserve Bank of Philadelphia, resigned effective February 4, 1971. He is Chairman of the Board of Hercules Incorporated in Wilmington, Delaware.

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System on February 12, 1971, approved actions by the directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco reducing the discount rate of those banks from 5 per cent to 4¾ per cent, effective February 13. (A similar reduction was approved for the Federal Reserve Bank of New York, effective February 19, at which time the rate was 4¾ per cent at all Reserve Banks.)

The Board of Governors had previously approved actions by the directors of the Federal Reserve

Banks of New York and San Francisco reducing the discount rate of those banks from 5¼ to 5 per cent, effective January 22, and those by the directors of the Federal Reserve Banks of Richmond, St. Louis, and Kansas City effective January 29, 1971.

The reductions accord with the System's recent practice of making small changes in the discount rate from time to time to keep it in closer alignment with short-term market rates.

The discount rate is the rate charged member banks on borrowings from their district Federal Reserve Banks.

CHANGE IN OTC MARGIN STOCKS

The Board of Governors of the Federal Reserve System has announced several changes, effective February 8, 1971, in its "List of OTC Margin Stocks" as issued July 20, 1970.

Ten stocks are deleted from the list: CMI Investment Corporation, \$2.50 par common; Crocker National Corporation, \$10.00 par common; First National Bank of Boston, The, \$12.50 par capital; Hawaiian Airlines, Inc., common; Hillhaven Inc., \$1.66⅔ par common; Hospital Corporation of America, \$1.00 par common; Indiana Gas Company, Inc., no par common; Public Service Company of New Hampshire, \$5.00 par common; Tropicana Products, Inc., common; and Virginia Commonwealth Bankshares, \$5.00 par common.

Also, Liberty Equities Corporation, \$1.00 par common, is changed to Smithfield Foods, Inc., \$1.00 par common.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period January 16 through February 15, 1971:

Virginia

Arlington The Bank of Arlington

Announcements

CHANGES IN BOARD'S STAFF

The Board of Governors has appointed Walter A. Althausen, Donald G. Barnes, and Harry A. Guinter Assistant Directors in the Division of Federal Reserve Bank Operations, effective March 2, and William W. Layton to fill the newly created official staff position of Director of Equal Employment Opportunity, effective March 8.

Before joining the Board's staff in March 1970 Mr. Althausen had been with the Department of State in Paris and with private architectural firms in San Francisco and Washington, D. C. He has an A.B. and an M.A. from the University of California at Berkeley and is a member of the American Institute of Architects.

Mr. Barnes was with the Federal Reserve Bank of Kansas City before joining the Board's staff in October 1970. He has also been associated with the Bureau of the Census, the U.S. Air Defense Command, and Booz-Allen Applied Research, Inc. He has a B.S. degree from Kansas State University.

Prior to joining the Board's staff in November 1969, Mr. Guinter was with Booz-Allen & Hamilton, Inc. Earlier experience was with commercial banks in New York and New Jersey and the Burroughs Corporation. Mr. Guinter attended Rutgers State University and the American Institute of Banking.

Mr. Layton, who comes to the Board from the U.S. Department of Agriculture, has held a number of important positions in the field of equal employment. He is a graduate of Lincoln University and has done graduate work in social science at Fisk University.

DEATH OF A DIRECTOR

Whitney M. Young, Jr., who had served since January 1, 1971, as a Board-appointed director of the Federal Reserve Bank of New York, died on March 11. He was Executive Director of the National Urban League in New York City.

SURVEY OF FOREIGN LENDING

The Board of Governors on March 3, 1971, released a report on the results of a survey to deter-

mine the amount of foreign lending by American banks that finances U.S. exports. The survey showed that in late 1970 about 17 per cent of outstanding loans to foreigners under the voluntary foreign credit restraint program ceilings financed U.S. exports.

The survey was part of the Federal Reserve's continuing review of the VFCR program under which since 1965 U.S. commercial banks and other financial institutions have been requested to limit their loans and investments abroad.

Last year, the Board undertook a major inquiry into the possible effect in 1970 of the VFCR on export financing and on exports. The results of that inquiry were made public by the Board on January 7 in conjunction with the issuance of the revised VFCR guidelines.

In connection with that survey, which was conducted under the supervision of Governor Andrew F. Brimmer, who administers the VFCR program for the Board, an effort was made to determine the portion of foreign lending by U.S. banks that was made up of export credits. This survey covered all major banks reporting under the VFCR program plus a sample of smaller reporting banks.

ONE-BANK HOLDING COMPANIES: REGISTRATION STATEMENTS

The Board of Governors on February 17, 1971, issued two registration statements for one-bank holding companies that must register with the Federal Reserve under the Bank Holding Company Act amendments enacted on December 31, 1970.

One registration statement—a short form—is designed for use by small companies while the other must be filed by larger one-bank holding companies and multibank holding companies that register with the Board in the future. The shortened form may be used by one-bank holding companies that meet the following two tests: the bank has less than \$30 million in total assets and the holding company itself has total assets not exceeding \$5 million.

The statements are a further step by the Board to implement the Act that extended its regulatory authority over bank holding companies to those

that control only one bank. Under the Bank Holding Company Act of 1956, only those holding companies that controlled 25 per cent or more of the voting stock of two or more banks were required to register with the Federal Reserve and limit their activities to banking and closely related activities. In the 1970 amendments Congress expanded the law to cover corporations and other entities that control only one bank, gave the Board greater latitude to determine when control exists, and amended other parts of the Act under which bank holding companies may engage in bank-related activities.

The 1970 amendments require all one-bank holding companies to register with the Federal

Reserve by June 29, 1971, which is 180 days after the amendments were signed into law.

**ADMISSION OF STATE BANKS TO MEMBERSHIP
IN THE FEDERAL RESERVE SYSTEM**

The following banks were admitted to membership in the Federal Reserve System during the period February 16, 1971 through March 15, 1971:

Florida

Longboat Key Longboat Key Bank

Minnesota

Bloomington Summit State Bank of
Bloomington

Announcements

CHANGES IN BOARD STAFF

The Board of Governors has promoted Robert F. Sanders to Deputy General Counsel in the Legal Division, effective May 16, 1971. Mr. Sanders, who joined the Board's staff in 1963 and was appointed an Assistant General Counsel in January 1969, is a graduate of the University of Illinois and the Harvard Law School.

The Board also announced two appointments, effective June 1: Charles L. Hampton as Associate Director of the Division of Data Processing, to succeed John P. Singleton; and John P. Flaherty as an Assistant Director of the Division of Supervision and Regulation.

Mr. Hampton comes to the Board from the Aerojet General Corporation in Azusa, California. He has a degree in electronic engineering from the University of Illinois and a Master of Business Economics from the Claremont Graduate School. Mr. Flaherty, a graduate of Boston University School of Law, has been serving as Assistant Vice President in the Bank Examination Department of the Federal Reserve Bank of Boston.

APPOINTMENT OF RESERVE BANK PRESIDENT

The Board of Governors has approved the appointment by the Directors of the Federal Reserve Bank of Minneapolis of Bruce K. MacLaury as President of that Bank, to serve the remainder of a 5-year term expiring February 28, 1976. He succeeds the late Hugh D. Galusha, Jr.

Mr. MacLaury has been Deputy Under Secretary of the Treasury for Monetary Affairs since April 1969. Previous positions were with the Federal Reserve Bank of New York, the Federal Reserve Bank of Boston, and the First National City Bank of New York. He holds degrees in economics from Princeton (B.A.) and Harvard Universities (M.A., Ph.D.).

DIRECTORS OF FEDERAL RESERVE BANKS AND BRANCHES

William M. Honey was elected on May 3 as a director of the Federal Reserve Bank of Boston, to serve the remainder of a 3-year term expiring

December 31, 1972. He is President of The Martha's Vineyard National Bank, Vineyard Haven, Massachusetts. He succeeds Tucker H. David, Executive Vice President and Cashier of The Deep River National Bank, Deep River, Connecticut, who resigned as a director, effective January 1, 1971.

Edward G. Nelson was appointed by the Federal Reserve Bank of Atlanta as a director of the Nashville Branch, effective May 1, 1971, for the unexpired portion of a 3-year term ending December 31, 1973. He is Executive Vice President of the Commerce Union Bank in Nashville.

Kenneth L. Roberts, who had served since January 1, 1971, as a Bank-appointed director of the Nashville Branch of the Federal Reserve Bank of Atlanta, resigned effective April 30, 1971, to take a position as President of the Central National Bank in Richmond, Virginia. He had been Executive Vice President of the Commerce Union Bank in Nashville.

Norman B. Houston, who had served since January 1, 1968, as a Board-appointed director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, resigned effective April 16, 1971, to accept appointment as Deputy Assistant Secretary for Administration of the Department of Health, Education and Welfare in Washington, D.C. He had been a director of and consultant to the Golden State Mutual Life Insurance Company in Los Angeles.

MARGIN REQUIREMENT ON SECURITIES TRANSACTIONS

The Board of Governors of the Federal Reserve System announced on April 27, 1971, that it will specify in regulations to be issued later this year the effective date of the amendment to the Securities Exchange Act of 1934 contained in Title III of Public Law 91-508 adopted by Congress last year.

That title, upon its effective date, will place the burden of compliance with margin regulations on the borrower as well as the lender in both foreign and domestic securities transactions. Under the Act, Title III is to go into effect either on May 1

or on any date after that specified by the Board in regulations—but in no case later than November 1, 1971.

ACTIVITIES OF BANK HOLDING COMPANIES

The Board of Governors announced a regulatory amendment, effective July 1, specifying the kinds of activities in which subsidiaries of bank holding companies may engage on the basis of section 4(c)5 of the Bank Holding Company Act.

That section relates to the acquisition by a holding company of shares eligible for investment by a national bank. Under the amendment, bank holding companies may acquire shares that are explicitly eligible for investment by a national bank under Federal statute law, such as shares of a small business investment company. Banks in a holding company are not so restricted. National banks in a holding company may acquire shares in accordance with the rules of the Comptroller of the Currency. So far as Federal law is con-

cerned, State-chartered banks in a holding company may acquire shares in accordance with the rules of the Board.

Action by the Board was taken in connection with its over-all plan to implement the "Bank Holding Company Act Amendments of 1970." The Board has under consideration a proposed list of ten activities to be regarded under section 4(c)8 of the Act as closely related to banking, or managing or controlling banks, and thus permissible for bank holding companies subject to Board approval in individual cases.

ADMISSION OF STATE BANK TO MEMBERSHIP IN FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period April 16, 1971, through May 15, 1971:

New Mexico

Albuquerque . . . American Bank of Commerce

Announcements

CHANGE IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the promotion, effective May 31, 1971, of James B. Eckert to the position of Associate Adviser in the Division of Research and Statistics.

APPOINTMENT OF RESERVE BANK OFFICERS

The Board of Governors has approved the appointment by the directors of the Federal Reserve Bank of Cleveland of Willis J. Winn as President of that Bank, effective September 1.

Mr. Winn has been Dean of the Wharton School of Finance and Commerce and Vice Provost of the University of Pennsylvania since 1958. From 1961 to 1970 he was a director of the Federal Reserve Bank of Philadelphia and served as its chairman from 1966 to 1970. He holds degrees from Central College, Fayette, Missouri (A.B. and LL.D.), the University of Pennsylvania (M.A. and Ph.D.), and Villanova University (LL.D.).

The directors of the Federal Reserve Bank of St. Louis have named Eugene A. Leonard as First Vice President, effective August 1, to succeed Dale M. Lewis. Mr. Leonard has been associated with the Federal Reserve Bank of St. Louis since 1961 and has been Senior Vice President since 1970. On loan to the Board of Governors since August of last year, he has been serving as an Assistant Secretary in the Office of the Secretary.

STATEMENT OF POLICY ON PAYMENTS MECHANISM

The Board of Governors issued on June 17, 1971, a policy statement calling for basic changes in the Nation's system for handling money payments. These are, essentially, transitional steps toward replacing the use of checks with electronic transfer of funds. The Board's statement, which was directed to the Presidents of the 12 Federal Reserve Banks, is as follows:

Increasing the speed and efficiency with which the rapidly mounting volume of checks is handled is becoming a matter of urgency. Until electronic facilities begin to replace check transfer in sub-

stantial volume, the present system is vulnerable to serious transportation delays and manpower shortages. Structural changes in the present check-clearing system can effect significant savings in manpower and unnecessary handling of checks. These changes will result in faster, more convenient, and more economical banking services for the public. They will reduce the cost of operations. The Board therefore states as a matter of policy that it places high priority upon efforts by the Federal Reserve System to improve the Nation's means of making payments, initially along the following lines:

1. *Extending present clearing arrangements, in cities with Federal Reserve offices, into larger zones of immediate payment, consistent with transportation possibilities, check volumes, and the location of check-processing centers.*
2. *Establishing other regional clearing facilities, in which settlements are made in immediately available funds, located wherever warranted by the need for more expeditious and economical check handling, or other operating and financial conditions.*
3. (a) *Encouraging banks and their customers to make greater use of the expanded capabilities of the Federal Reserve wire transfer system.* (b) *Removing restrictions on third-party transfers of demand deposits, and extending the time period in which the wire transfer system can be used.* (c) *Expanding facilities at Reserve Bank offices, where justified by traffic potentials, to include high-speed tape transmission, and computer-to-computer communications.*

Plans for making these basic changes in the present money transfer system should be pursued actively, to achieve as soon as possible an accelerated flow of funds along more optimal routing patterns. These initiatives are generally intended to supplement those efficient direct check-exchange programs that are now in existence.

The first objective should be expansion of the geographic area of existing immediate payment zones. This should be accomplished as soon as

necessary arrangements can be made. Meantime, studies looking to the establishment of new clearing centers, wherever warranted, should be undertaken promptly by each Federal Reserve Bank, and submitted to the Board for review. Expansion of facilities at Federal Reserve offices for increased access to the Reserve System's wire network should be concluded at the earliest practicable time, generally during the next 12 to 18 months.

TRANSFER OF FEDERAL RESERVE BRANCH TERRITORY

The territory of the Denver Branch of the Federal Reserve Bank of Kansas City will be extended effective July 6, 1971, to include the State of Wyoming. Wyoming has been in the territory served by the Omaha Branch of the Federal Reserve Bank of Kansas City.

PUBLICATION OF ANNUAL REPORT

The Fifty-Seventh Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1970, is available for distribution. Copies may be obtained upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

INFORMATION ON FAIR CREDIT REPORTING ACT

The Board of Governors on May 24, 1971, issued a series of questions and answers to assist financial institutions in complying with the Fair Credit Reporting Act (a portion of Public Law 91-508). The general purpose of the Act, which became effective on April 25, is to assure fair and accurate reporting of information regarding consumers.

The questions and answers were prepared jointly by the staffs of the Board, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board, each of which will issue them to institutions under its supervision. The information is not a regulation of the Board and is merely designed to provide guidance to financial institutions. Institutions that act in accordance with the information, however, will be regarded by the Board's examiners as acting in compliance with the Act.

MORTGAGE COMMITMENT DATA

Data for mortgage commitments of \$100,000 and over authorized by 15 life insurance companies to acquire loans on nonfarm multifamily and non-residential properties—only for the period 1951 through 1970—may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Included in the tabulations are monthly, quarterly, and annual statistics on total number of loans and total loan amount, and also averages for loan amount, contract interest rate, maturity, loan-to-value ratio, per cent constant, debt coverage ratio, and capitalization rate. Collection of these data was initiated as part of the broad study of interest rates conducted by the National Bureau of Economic Research, aided by grants from the Life Insurance Association of America. The Federal Reserve assisted in certain phases of collecting and tabulating the commitment data prior to mid-1965 and is in the process of analyzing all of the statistics. Current data are collected by the Life Insurance Association of America.

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CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced these appointments:

Samuel B. Chase, Jr., Professor of Economics at the University of Montana since 1967 and a former Financial Economist at the Federal Reserve Bank of Kansas City, as an Associate Director in the Division of Research and Statistics, effective July 6, 1971.

Murray Altmann, a Senior Economist in the Special Studies Section, Division of International Finance, as an Assistant Secretary, Office of the Secretary, effective July 11, 1971.

Mr. Chase has an A.B. degree from Dartmouth College and a Ph.D. in Economics from the University of California. Mr. Altmann, on the Board's staff since 1949, holds B.A. and M.A. degrees from Pennsylvania State College, and also attended graduate schools at New York and American Universities. In 1967 and 1968 he was granted a leave of absence at the request of the Central Bank of Tanzania and the United Nations to act as Economic Adviser and to organize and direct a department of research for the Central Bank.

CHANGE IN DISCOUNT RATE

The Board of Governors on July 15, 1971, approved actions by the directors of the Federal Reserve Banks of New York, Philadelphia, St. Louis, and San Francisco, increasing the discount rate of those banks from 4¾ per cent to 5 per cent, effective Friday, July 16. (A similar increase was approved for the Federal Reserve Banks of Boston, Atlanta, and Minneapolis, effective July 19.)

The action was in recognition of increases that have taken place in other short-term interest rates and is intended to bring the discount rate—which is the rate charged member banks for borrowing from their district Reserve Banks—into better alignment with short-term rates generally. The move also reflected the Board's concern over the continuation of substantial cost-push inflation in the economy.

This change returns the rate, which has been lowered twice this year, to the level prevailing in late January and early February.

ORDERS AFFECTING BANK HOLDING COMPANIES

The Board of Governors on June 22, 1971, granted a 2-month extension of the deadline for one-bank holding companies to register with the Board.

Exercising authority granted it under the Bank Holding Company Act, the Board extended the registration time from June 29 to August 31, 1971, or 180 days after a company becomes a bank holding company, whichever is later.

The extension was granted, the Board's Order said, "in the light of the relatively short period" that the companies affected have had for compliance with the registration requirement.

The Board of Governors also announced that it will permit companies that have acquired an interest in a bank during the period from December 31, 1970, to June 22, 1971, without obtaining requisite Board approval—and apparently without knowledge that such approval was required by the Bank Holding Company Act Amendments of 1970—to apply to the Board for a determination that such acquisition is in the public interest.

Amendments to the Bank Holding Company Act that became effective December 31, 1970, made it unlawful for a company to acquire control over a single bank except with the prior approval of the Federal Reserve Board. Before the 1970 Amendments were enacted, there was no such constraint upon the acquisition by a company of the shares of a single bank, and it was common for companies to acquire single, small banks.

The Board has been advised that in several instances companies have acquired a controlling interest in a bank apparently without knowledge of the changes in the law requiring prior Board approval. The Board ordered that in cases of unintended violation of the law by companies that acquired a controlling interest in a bank between December 31, 1970 and June 22, 1971—the date of the Board's Order—the companies must apply to the Board for a determination that such acquisition was in the public interest.

Applications must be filed with appropriate Federal Reserve Banks by August 31, 1971, unless time for filing is extended for good cause. If the Board denies an application, the company must take action forthwith to divest its unlawful holding.

MARGIN REQUIREMENTS FOR OTC STOCKS

The Board of Governors has published a revised list of 456 over-the-counter (OTC) stocks that

are subject to its margin regulations as of July 12, 1971. The list supersedes the revised OTC margin stock list that was issued on July 20, 1970. (See August 1970 BULLETIN, pp. 658-64.)

OTC MARGIN STOCKS ¹

(as of July 12, 1971)

AITs, Inc. \$.10 par common	AMERICAN TELEVISION & COMMUNICATIONS CORPORATION \$.75 par common
AVM CORPORATION \$1.00 par common	AMERICAN WELDING & MANUFACTURING COM- PANY, THE No par common
ACUSHNET COMPANY Common	ANADITE, INC. Common
ADDISON-WESLEY PUBLISHING COMPANY, INC. Class B, no par common	ANHEUSER-BUSCH, INC. \$1.00 par common
ADVANCE ROSS CORPORATION \$.10 par common	ANIXTER BROTHERS, INC. \$1.00 par common
ALEXANDER & ALEXANDER, INC. No par common	APPLEBAUMS' FOOD MARKETS, INC. \$1.00 par common
ALEXANDER & BALDWIN, INC. No par common	ARDEN-MAYFAIR, INC. \$1.00 par common
ALLEGHENY BEVERAGE CORPORATION \$1.00 par common	ARKANSAS-MISSOURI POWER COMPANY \$2.50 par common
ALLYN AND BACON, INC. \$.50 par common	ARKANSAS WESTERN GAS COMPANY \$2.50 par common
ALPHANEUMERIC, INC. Common	ARROW-HART, INC. \$10.00 par common
ALPINE GEOPHYSICAL ASSOCIATES, INC. \$.10 par common	ARVIDA CORPORATION \$1.00 par common
AMAREX, INC. \$1.00 par common	ASSOCIATED COCA-COLA BOTTLING COMPANY, INC. \$.50 par common
AMERICAN BIOCULTURE, INC. \$.02 par common	ASSOCIATED TRUCK LINES, INC. \$3.00 par common
AMERICAN EXPRESS COMPANY \$1.66⅔ par common \$1.50 convertible preferred	ATLANTA GAS LIGHT COMPANY \$5.00 par common
AMERICAN FINANCIAL CORPORATION No par common	BAIRD-ATOMIC, INC. \$1.00 par common
AMERICAN FURNITURE COMPANY, INC. \$1.00 par common	BANGOR HYDRO-ELECTRIC COMPANY \$5.00 par common
AMERICAN GREETINGS CORPORATION Class A, \$1.00 par common	BARBER-GREENE COMPANY \$5.00 par common
AMERICAN MEDICORP, INC. \$.01 par common	BARDEN CORPORATION, THE \$1.00 par common
AMERICAN NUCLEAR CORPORATION \$.04 par common	BARNES-HIND PHARMACEUTICALS, INC. No par common
	BASSETT FURNITURE INDUSTRIES, INC. \$5.00 par common
	BEEFLAND INTERNATIONAL, INC. \$1.00 par common
	BETZ LABORATORIES, INC. \$.10 par common

¹ Stocks appearing on the list have not been approved, in any way, by the Board and representation by any person that their appearance on the list indicates approval by the Board or is based on approval by any government agency is unlawful.

ANNOUNCEMENTS

BIBB MANUFACTURING COMPANY	COGAR CORPORATION
\$12.50 par common	\$.60 par common
BIO-DYNAMICS, INC.	COGNITRONICS CORPORATION
No par common	\$.20 par common
BLACK HILLS POWER AND LIGHT COMPANY	COLDWELL, BANKER AND COMPANY
\$1.00 par common	No par common
BOOZ, ALLEN & HAMILTON, INC.	COMMONWEALTH TELEPHONE COMPANY
Common	\$6.66 $\frac{2}{3}$ par common
BRENCO, INC.	COMPUTER COMMUNICATIONS, INC.
\$1.00 par common	\$1.00 par common
BROWNING ARMS COMPANY	COMPUTER USAGE COMPANY, INC.
Capital	Common
BRUSH BERYLLIUM COMPANY, THE	COMRESS, INC.
\$1.00 par common	\$.05 par common
BUCKBEE MEARS COMPANY	CONAGRA, INC.
\$.10 par common	\$5.00 par common
BUCKEYE INTERNATIONAL, INC.	CONTINENTAL INVESTMENT CORPORATION
No par common, \$5.00 stated value	\$1.00 par common
BURNUP & SIMS INC.	CONTRAN CORPORATION
\$.10 par common	Common
BUTLER MANUFACTURING COMPANY	CORNELIUS COMPANY, THE
No par common	\$.20 par common
CAMPBELL TAGGART, INC.	COUSINS PROPERTIES INC.
\$1.00 par common	\$1.00 par common
CAPITOL INTERNATIONAL AIRWAYS, INC.	CROSS COMPANY, THE
\$1.00 par common	\$5.00 par common
CAROLINA CARIBBEAN CORPORATION	CRUTCHER RESOURCES CORPORATION
\$.83 $\frac{1}{3}$ par common	\$1.00 par common
CARTE BLANCHE CORPORATION	DALTO ELECTRONICS CORPORATION
Class A, \$1.00 par common	\$.50 par common
CASCADE NATURAL GAS CORPORATION	DASA CORPORATION
\$1.00 par common	\$1.00 par common
CENTRAL VERMONT PUBLIC SERVICE CORPORATION	DATA GENERAL CORPORATION
\$6.00 par common	\$.01 par common
CHANCE, A. B. COMPANY	DATA PACKAGING CORPORATION
\$2.50 par common	\$.10 par common
CHEMICAL LEAMAN TANK LINES, INC.	DEKALB AGRESEARCH, INC.
\$2.50 par common	Class B, no par common
CHESAPEAKE INSTRUMENT CORPORATION	DELHI INTERNATIONAL OIL CORPORATION
\$1.00 par common	\$.10 par common
CHICAGO BRIDGE & IRON COMPANY	DELUXE CHECK PRINTERS, INC.
\$6.66 $\frac{2}{3}$ par common	\$1.00 par common
CITIZENS UTILITIES COMPANY	DETREX CHEMICAL INDUSTRIES, INC.
Series A, \$1.00 par common	\$2.00 par common
Series B, \$1.00 par common	DIAMOND CRYSTAL SALT COMPANY
CLARK, J. L. MANUFACTURING COMPANY	\$2.50 par common
\$1.00 par common	DISC INC.
CLEVEPAK CORPORATION	\$1.00 par common
Common	DONALDSON COMPANY, INC.
CLINTON OIL COMPANY	\$5.00 par common
\$.03 $\frac{1}{3}$ par common	DONALDSON, LUFKIN & JENRETTE, INC.
CLOW CORPORATION	\$1.00 par common
\$6.25 par common	DOW JONES & COMPANY, INC.
	\$1.00 par common

DOWNTOWNER CORPORATION, THE Common	GATES LEARJET CORPORATION \$1.00 par common
DOYLE DANE BERNBACH INC. \$.50 par common	GELMAN INSTRUMENT COMPANY \$.10 par common
DUNKIN' DONUTS INC. \$1.00 par common	GENERAL AIRCRAFT CORPORATION \$1.00 par common
DURIRON COMPANY, INC., THE \$1.25 par common	GENERAL HEALTH SERVICES, INC. \$1.00 par common
EASTERN SHOPPING CENTERS, INC. \$5.00 par common	GENERAL MEDICAL CORPORATION \$1.00 par common
ECKRICH, PETER & SONS, INC. No par common	GENERAL UNITED GROUP, INC. \$.25 par common
ECONOMICS LABORATORY, INC. Common	GIFFEN INDUSTRIES, INC. \$1.00 par common
EL PASO ELECTRIC COMPANY No par common	GIFFORD-HILL & COMPANY \$2.00 par common
ELBA SYSTEMS CORPORATION No par common	GILFORD INSTRUMENT LABORATORIES INC. No par common
ELECTRO-NUCLEONICS, INC. \$.02½ par common	GLEASON WORKS Common
ENERGY CONVERSION DEVICES, INC. \$.01 par common	GOLDEN CYCLE CORPORATION, THE No par common
ENERGY RESOURCES CORPORATION \$1.00 par common	GRAPHIC CONTROLS CORPORATION \$1.00 par common
EPSCO, INC. No par common	GRAPHIC SCIENCES, INC. \$.50 par common
EQUITY OIL COMPANY \$1.00 par common	GREAT SOUTHWEST CORPORATION Common
ERIE TECHNOLOGICAL PRODUCTS, INC. \$2.50 par common	GREEN MOUNTAIN POWER CORPORATION \$3.33⅓ par common
FABRI-TEK INC. \$.10 par common	GYRODYNE COMPANY OF AMERICA, INC. \$1.00 par common
FARRINGTON MANUFACTURING COMPANY \$1.00 par common	HARDEE'S FOOD SYSTEMS, INC. No par common
FIRST WESTERN FINANCIAL CORPORATION \$1.00 par common	HASBRO INDUSTRIES, INC. \$.50 par common
FLICKINGER, S. M. COMPANY, INC. \$2.50 par common	HAVEN INDUSTRIES, INC. \$.01 par common
FLORIDA TELEPHONE CORPORATION \$2.50 par common	HAWTHORNE FINANCIAL CORPORATION \$1.00 par capital
FOOD FAIR PROPERTIES, INC. \$.01 par common	HEATH TECNA CORPORATION No par common
FOSTER GRANT COMPANY, INC. Common	HERFF JONES COMPANY No par common
FOTOMAT CORPORATION No par common	HEXCEL CORPORATION \$1.00 par common
FRIENDLY ICE CREAM CORPORATION \$1.00 par common	HOOVER COMPANY, THE \$2.50 par common
FRIGITRONICS, INC. \$.10 par common	HORIZON CORPORATION \$.01 par common
GRT CORPORATION No par common	HYATT CORPORATION \$.50 par common
GARFINCKEL, BROOKS BROTHERS, MILLER & RHOADS \$.50 par common	HYSTER COMPANY \$.50 par common

ANNOUNCEMENTS

ISI CORPORATION	KEYSTONE CUSTODIAN FUNDS, INC.
No par common	Class A, nonvoting, no par common
INDIANAPOLIS WATER COMPANY	KING RESOURCES COMPANY
\$7.50 par common	Common
INDUSTRIAL NUCLEONICS	KNAPE & VOGT MANUFACTURING COMPANY
No par common	\$2.00 par common
INFORMATICS, INC.	KUHLMAN CORPORATION
\$.10 par common	\$1.00 par common
INLAND CONTAINER CORPORATION	LADD PETROLEUM CORPORATION
Class A, no par common	\$.10 par common
INTERNATIONAL BANK (Washington, D. C.)	LANCE, INC.
Class A, common	\$2.50 par common
INTERNATIONAL BOOK CORPORATION	LANDA INDUSTRIES, INC.
\$.02 par common	\$.10 par common
INTERNATIONAL LEISURE CORPORATION	LANE WOOD, INC.
\$1.00 par common	No par common
INTERNATIONAL MULTIFOODS CORPORATION	LEHIGH COAL AND NAVIGATION COMPANY, THE
\$1.00 par common	\$1.00 par common
INTERNATIONAL TEXTBOOK COMPANY (INTEXT)	LEISURE GROUP, INC., THE
No par common	No par common
INTERWAY CORPORATION	LIN BROADCASTING CORPORATION
\$1.00 par common	Common
INVESTMENT CORPORATION OF FLORIDA	LOMAS & NETTLETON FINANCIAL CORPORATION
\$.02 par common	\$2.00 par common
IOWA SOUTHERN UTILITIES COMPANY	LOWE'S COMPANIES, INC.
\$10.00 par common	\$.50 par common
JAMES, FRED S. & COMPANY, INC.	LYNCH COMMUNICATION SYSTEMS INC.
\$.50 par common	\$1.00 par common
JAMESBURY CORPORATION	MADISON GAS AND ELECTRIC COMPANY
\$1.00 par common	\$8.00 par common
JET AVION CORPORATION	MAINE SUGAR INDUSTRIES, INC.
\$.10 par common	\$1.25 par common
JOSLYN MANUFACTURING AND SUPPLY COMPANY	MAJOR REALTY CORPORATION
\$1.25 par common	\$.01 par common
KDI CORPORATION	MALLINCKRODT CHEMICAL WORKS
\$.35 par common	Class A, nonvoting, \$3.33 $\frac{1}{3}$ par common
KMS INDUSTRIES, INC.	MANAGEMENT ASSISTANCE INC.
\$.01 par common	\$.10 par common
KAISER STEEL CORPORATION	MAUI LAND & PINEAPPLE COMPANY, INC.
\$.66 $\frac{2}{3}$ par common	No par common
\$1.46 preferred	MEDIC-HOME ENTERPRISES INC.
KALVAR CORPORATION	\$.10 par common
\$.02 par capital	MEDICENTERS OF AMERICA, INC.
KAMAN CORPORATION	\$1.00 par common
Class A, \$1.00 par common	MEDTRONIC, INC.
KEARNEY & TRECKER CORPORATION	\$.10 par common
\$2.00 par common	MIDAS-INTERNATIONAL CORPORATION
KEENE CORPORATION	Class A, \$1.00 par common
\$.10 par common	MILLIPORE CORPORATION
KELLWOOD COMPANY	\$.33 $\frac{1}{3}$ par common
Common	MOGUL CORPORATION, THE
KELLY SERVICES, INC.	No par common
\$1.00 par common	MOHAWK RUBBER COMPANY
KEYES FIBRE COMPANY	\$1.00 par common
\$1.00 par common	

MOORE, SAMUEL AND COMPANY	PAVELLE CORPORATION, THE
No par common	\$.10 par common
MOTOR CLUB OF AMERICA COMPANIES	PAY 'N SAVE CORPORATION
\$.50 par common	No par common
MURPHY PACIFIC MARINE SALVAGE COMPANY	PENNSYLVANIA GAS AND WATER COMPANY
No par common	No par common, \$10.00 stated value
NATIONAL LIBERTY CORPORATION	PETTIBONE CORPORATION
\$1.00 par common	\$10.00 par common
NATIONAL STUDENT MARKETING CORPORATION	PHILADELPHIA SUBURBAN CORPORATION
\$1.00 par common	\$1.00 par common
NEW ENGLAND GAS AND ELECTRIC ASSOCIATION	PHOTON, INC.
\$4.00 par common	\$1.00 par common
NEW JERSEY NATURAL GAS COMPANY	PIEDMONT AVIATION, INC.
\$5.00 par common	\$1.00 par common
NICHOLSON FILE COMPANY	PIZZA HUT, INC.
\$1.00 par common	\$.01 par common
NIELSEN, A. C. COMPANY	POPE & TALBOT, INC.
Class A, \$1.00 par common	\$2.00 par common
Class B, \$1.00 par common	POPEIL BROTHERS, INC.
NORTH CAROLINA NATURAL GAS CORPORATION	No par common
\$2.50 par common	PROFESSIONAL GOLF COMPANY
NORTH CENTRAL AIRLINES, INC.	\$.50 par common
\$.20 par common	PUBLIC SERVICE COMPANY OF NEW MEXICO
NORTHWEST NATURAL GAS COMPANY	\$5.00 par common
\$3.00½ par common	PUBLIC SERVICE COMPANY OF NORTH CAROLINA,
NORTHWESTERN PUBLIC SERVICE COMPANY	INC.
\$7.00 par common	\$1.00 par common
NOXELL CORPORATION	PUBLISHERS COMPANY, INC.
Class B, nonvoting, \$1.00 par common	\$.40 par common
OCEAN DRILLING & EXPLORATION COMPANY	QUALITY COURTS MOTELS, INC.
\$.50 par common	\$1.00 par common
OHIO ART COMPANY, THE	RANSBURG ELECTRO-COATING CORPORATION
\$1.00 par common	\$.15 par common
OIL SHALE CORPORATION, THE	RAYCHEM CORPORATION
\$.15 par common	No par common
ORMONT DRUG & CHEMICAL COMPANY, INC.	RAYGO, INC.
\$.10 par common	\$.05 par common
OTTER TAIL POWER COMPANY	RECOGNITION EQUIPMENT INC.
\$5.00 par common	\$.25 par common
OVERSEAS NATIONAL AIRWAYS, INC.	REID-PROVIDENT LABORATORIES INC.
\$1.00 par common	\$1.00 par common
OZITE CORPORATION	RIVAL MANUFACTURING COMPANY
\$1.00 par common	Common
PABST BREWING COMPANY	ROADWAY EXPRESS, INC.
No par common	No par common
PACIFIC RESOURCES, INC.	ROBERTS COMPANY
\$6.66⅔ par common	\$1.00 par common
PANOIL COMPANY	ROUSE COMPANY, THE
\$.10 par common	\$.01 par common
PARKER DRILLING COMPANY	RUSSELL STOVER CANDIES, INC.
\$1.00 par common	\$1.00 par common
PARKVIEW-GEM, INC.	SAGA ADMINISTRATIVE CORPORATION
\$1.00 par common	\$1.00 par common
PAULEY PETROLEUM INC.	SAUL, B. F. REAL ESTATE INVESTMENT TRUST
\$1.00 par common	Shares of Beneficial Interest

SCIENTIFIC CONTROL CORPORATION	TAYLOR WINE COMPANY, INC., THE
\$.20 par common	\$2.00 par common
SCOPE INC.	TELECOR, INC.
\$1.00 par common	\$.50 par common
SCRIPTO, INC.	TELEVISION COMMUNICATIONS CORPORATION
\$.50 par common	\$1.00 par capital
SEA WORLD, INC.	TEXAS AMERICAN OIL CORPORATION
\$.50 par common	\$.10 par common
SEISMIC COMPUTING CORPORATION	TEXAS INTERNATIONAL AIRLINES, INC.
\$.10 par common	\$2.00 par common
SEVEN-UP COMPANY, THE	TEXFI INDUSTRIES, INC.
\$1.00 par common	\$1.00 par common
SHAKESPEARE COMPANY	TIFFANY & COMPANY
Common	\$1.00 par common
SHAREHOLDERS CAPITAL CORPORATION	TITAN GROUP, INC.
\$.50 par common	\$1.00 par common
SHOP RITE FOODS, INC.	TRACOR, INC.
\$3.33⅓ par common	Common
SIMON & SCHUSTER, INC.	TRANSCONTINENTAL GAS PIPE LINE CORPORATION
\$.50 par common	\$.50 par common
SMITHFIELD FOODS, INC.	TRANSOCEAN OIL, INC.
\$1.00 par common	\$1.00 par common
SMITH'S TRANSFER CORPORATION	TRICO PRODUCTS CORPORATION
\$2.50 par common	No par common
SOUTHERN INDUSTRIES CORPORATION	TRINITY INDUSTRIES, INC.
No par common	\$1.00 par common
SOUTHERN NEW ENGLAND TELEPHONE COMPANY,	TYSON FOODS, INC.
THE	Common
\$25.00 par common	UNITED CONVALESCENT HOSPITALS, INC.
SOUTHLAND CORPORATION, THE	\$1.00 par common
\$.01 par common	UNITED ILLUMINATING COMPANY, THE
SOUTHWEST GAS CORPORATION	No par common
\$1.00 par common	UNITED STATES BANKNOTE CORPORATION
SOUTHWEST GAS PRODUCING COMPANY, INC.	\$1.00 par common
\$1.00 par common	WARNER ELECTRIC BRAKE & CLUTCH COMPANY
SOVEREIGN INDUSTRIES, INC.	\$1.00 par common
\$.04 par common	WASHINGTON NATURAL GAS COMPANY
SPANG INDUSTRIES, INC.	\$5.00 par common
\$1.00 par common	WATER TREATMENT CORPORATION
STANDARD REGISTER COMPANY, THE	Common
Common	WEBB RESOURCES, INC.
STIRLING HOMEX CORPORATION	\$.10 par common
\$.01 par common	WELLINGTON MANAGEMENT COMPANY
SUBSCRIPTION TELEVISION, INC.	Class A, \$.10 par common
\$.01 par capital	WERNER CONTINENTAL, INC.
SUGARDALE FOODS, INC.	\$.50 par common
No par common	WESTERN GEAR CORPORATION
SUPERIOR ELECTRIC COMPANY, THE	\$1.00 par common
\$1.00 par common	WESTERN PUBLISHING COMPANY, INC.
TDA INDUSTRIES, INC.	\$1.00 par common, \$2.50 stated value
Common	WESTGATE-CALIFORNIA CORPORATION
TAMPAX INC.	Class A, \$5.00 par common
\$1.00 par common	WHITE SHIELD CORPORATION
TASSETTE, INC.	\$.05 par common
Class A, \$.10 par common	

WINTER PARK TELEPHONE COMPANY, THE
\$2.50 par common
WISCONSIN POWER AND LIGHT COMPANY
Common
WOODWARD & LOTHROP INC.
\$10.00 par common
YELLOW FREIGHT SYSTEM, INC.
\$1.00 par common
YOUNKER BROTHERS, INC.
No par common

Bank Stocks

AMERICAN SAVINGS & LOAN ASSOCIATION
\$.33 $\frac{1}{3}$ par permanent reserve guarantee stock
AMERICAN SECURITY AND TRUST COMPANY
\$3.33 $\frac{1}{3}$ par capital
BANCO CREDITO Y AHORRO PONCENO
\$5.00 par common
BANK OF HAWAII
\$8.00 par common
BANKAMERICA CORPORATION
\$6.25 par common
BARNETT BANKS OF FLORIDA, INC.
\$2.00 par common
BAYSTATE CORPORATION
\$7.50 par common
CP FINANCIAL CORPORATION
\$1.00 par common
CITIZENS AND SOUTHERN NATIONAL BANK, THE
(Georgia)
Class A, \$5.00 par common
CLEVELAND TRUST COMPANY, THE
\$20.00 par capital
COMMERCIAL TRUST COMPANY OF NEW JERSEY
\$5.00 par capital
CONTINENTAL BANK (Pennsylvania)
\$10.00 par common
DETROIT BANK AND TRUST COMPANY, THE
\$10.00 par common
EQUIMARK CORPORATION
\$5.00 par common
FIDELITY CORPORATION OF PENNSYLVANIA
\$1.00 par common
FIRST & MERCHANTS CORPORATION (Virginia)
\$10.00 par common
FIRST BANK SYSTEM, INC.
\$5.00 par capital
FIRST CITY NATIONAL BANK OF HOUSTON
\$10.00 par common-capital
FIRST EMPIRE STATE CORPORATION
\$5.00 par common
FIRST JERSEY NATIONAL CORPORATION
\$5.00 par common
FIRST MERCHANTS NATIONAL BANK, ASBURY PARK
\$2.50 par common

FIRST NATIONAL BANK IN DALLAS
\$10.00 par common-capital
FIRST NATIONAL BANK OF MARYLAND, THE
\$5.00 par common
FIRST NATIONAL HOLDING CORPORATION
(Memphis, Tennessee)
\$5.00 par common
FIRST PENNSYLVANIA CORPORATION
\$1.00 par common
FIRST UNION NATIONAL BANCORP, INC.
\$5.00 par capital
FRANKLIN NEW YORK CORPORATION
Common
Convertible preferred
GIRARD COMPANY, THE
\$1.00 par common
HARRIS TRUST AND SAVINGS BANK
Capital
LINCOLN FIRST BANKS, INC.
\$10.00 par common
LONG ISLAND TRUST COMPANY
\$5.00 par common
MANUFACTURERS NATIONAL BANK OF DETROIT
\$10.00 par common
MARYLAND NATIONAL CORPORATION
\$5.00 par common
MELLON NATIONAL BANK AND TRUST COMPANY
Common
MIDLANTIC BANKS, INC.
\$10.00 par common
MONMOUTH COUNTY NATIONAL BANK, THE
\$1.00 par common-capital
NCNB CORPORATION
\$5.00 par common
NATIONAL BANK OF DETROIT
\$12.50 par common
NATIONAL CITY BANK OF CLEVELAND, THE
\$8.00 par common
NEW ENGLAND MERCHANTS COMPANY, INC.
\$5.00 par common
NEW JERSEY NATIONAL BANK
\$5.00 par common
NORTHERN TRUST COMPANY, THE
\$20.00 par capital
PNB CORPORATION
\$1.00 par common
PITTSBURG NATIONAL CORPORATION
\$10.00 par common
PROVIDENT NATIONAL CORPORATION
\$1.00 par common
REPUBLIC NATIONAL BANK OF DALLAS
\$6.00 par common-capital
RIGGS NATIONAL BANK OF WASHINGTON, D. C.,
THE
\$10.00 par common

SEATTLE-FIRST NATIONAL BANK \$10.00 par common	BENEFICIAL STANDARD CORPORATION Class A, \$1.00 par common
SECURITY NATIONAL BANK (Huntington, New York) \$5.00 par common	CALIFORNIA-WESTERN STATES LIFE INSURANCE COMPANY \$2.50 par common-capital
SECURITY PACIFIC NATIONAL BANK \$10.00 par common	CAPITAL HOLDING CORPORATION \$1.00 par common
SHAWMUT ASSOCIATION, INC. \$5.00 par common	CHUBB CORPORATION, THE \$1.00 par common
SOUTHEAST BANKING CORPORATION \$5.00 par common	COASTAL STATES LIFE INSURANCE COMPANY Common
STATE STREET BOSTON FINANCIAL CORPORATION \$10.00 par common	COLONIAL LIFE & ACCIDENT INSURANCE COMPANY Class B, non-voting, \$1.00 par common
TRUST COMPANY OF NEW JERSEY, THE \$2.50 par common	COMBINED INSURANCE COMPANY OF AMERICA \$1.00 par common
UNITED BANCSHARES OF FLORIDA, INC. \$1.00 par common	CONNECTICUT GENERAL INSURANCE CORPORATION \$2.50 par common
UNITED BANKS OF COLORADO, INC. \$5.00 par common	CRUM & FORSTER \$2.50 par common
UNITED STATES TRUST COMPANY OF NEW YORK \$5.00 par capital	EASTERN LIFE INSURANCE COMPANY OF NEW YORK \$1.00 par common
UNITED VIRGINIA BANKSHARES, INC. \$10.00 par common	EMPIRE GENERAL CORPORATION \$1.00 par common
VALLEY NATIONAL BANK OF ARIZONA, THE \$2.50 par common	EMPIRE LIFE INSURANCE COMPANY OF AMERICA Class A, \$1.00 par common
VIRGINIA NATIONAL BANK \$5.00 par common	FAMILY LIFE INSURANCE COMPANY Class A, nonvoting, common
	FARMERS NEW WORLD LIFE INSURANCE COMPANY \$1.00 par common
Insurance Stocks	FIDELITY CORPORATION (Virginia) \$1.00 par common
AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA \$2.50 par common	FIDELITY UNION LIFE INSURANCE COMPANY \$1.00 par common
AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA Common	FIRST NATIONAL CORPORATION (Houston, Texas) Class A, \$1.00 par common
AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS \$1.00 par common	FOUNDERS FINANCIAL CORPORATION \$1.00 par common
AMERICAN FIDELITY LIFE INSURANCE COMPANY \$1.00 par common	FRANKLIN LIFE INSURANCE COMPANY, THE \$2.00 par common
AMERICAN HERITAGE LIFE INVESTMENT CORPORATION \$1.00 par common	GEORGIA INTERNATIONAL CORPORATION \$1.00 par common
AMERICAN INTERNATIONAL GROUP, INC. \$5.00 par common	GLOBE LIFE AND ACCIDENT INSURANCE COMPANY \$1.00 par common
AMERICAN NATIONAL INSURANCE COMPANY \$1.00 par common	GOVERNMENT EMPLOYEES INSURANCE COMPANY \$4.00 par common
AMERICAN RE-INSURANCE COMPANY \$3.00 par capital	GOVERNMENT EMPLOYEES LIFE INSURANCE COMPANY \$1.50 par common
BMA CORPORATION \$2.00 par common	GREAT COMMONWEALTH LIFE INSURANCE COMPANY \$1.00 par common
BANKERS NATIONAL LIFE INSURANCE COMPANY \$2.00 par common	HAMILTON INTERNATIONAL CORPORATION Class A, \$1.00 par common

HANOVER INSURANCE COMPANY, THE \$10.00 par common	OLD LINE LIFE INSURANCE COMPANY OF AMERICA, THE \$1.33 $\frac{1}{3}$ par common
HORACE MANN EDUCATORS CORPORATION Common	PENNSYLVANIA LIFE COMPANY \$.66 $\frac{2}{3}$ par common
INDEPENDENT LIFE & ACCIDENT INSURANCE COMPANY, THE Nonvoting, common	PHILADELPHIA LIFE INSURANCE COMPANY \$1.00 par common
INTEGON CORPORATION \$1.00 par common	PROVIDENT LIFE & ACCIDENT INSURANCE COMPANY Common
INTERFINANCIAL INC. \$1.00 par common	PROVIDENT LIFE INSURANCE COMPANY \$2.50 par common
INTERSTATE CORPORATION, THE \$1.00 par common	REPUBLIC NATIONAL LIFE INSURANCE COMPANY \$1.00 par common
KENTUCKY CENTRAL LIFE INSURANCE COMPANY Class A, nonvoting, \$1.00 par common	RICHMOND CORPORATION Common
LIBERTY NATIONAL LIFE INSURANCE COMPANY \$2.00 par common-capital	SAFECO CORPORATION \$5.00 par common
LINCOLN CONSOLIDATED, INC. \$1.00 par common	ST. PAUL COMPANIES, INC., THE \$3.00 par common
LOUISIANA AND SOUTHERN LIFE INSURANCE COMPANY \$1.00 par common	SECURITY CORPORATION, THE \$10.00 par common
MIDWESTERN UNITED LIFE INSURANCE COMPANY \$1.00 par common	SECURITY LIFE AND ACCIDENT COMPANY Series A, \$2.00 par common
MISSION EQUITIES CORPORATION No par common	SOUTHWESTERN LIFE INSURANCE COMPANY \$2.50 par capital
MONARCH CAPITAL CORPORATION \$1.00 par common	UNICOA CORPORATION \$2.50 par common
MONUMENTAL CORPORATION \$5.00 par common	UNITED FOUNDERS LIFE INSURANCE COMPANY \$1.00 par common
MUTUAL SAVINGS LIFE INSURANCE COMPANY Common	UNITED LIFE & ACCIDENT INSURANCE COMPANY \$1.00 par common
NLT CORPORATION \$5.00 par common	UNITED SERVICES LIFE INSURANCE COMPANY \$1.00 par common
NATIONAL LIFE OF FLORIDA CORPORATION \$1.00 par common	VARIABLE ANNUITY LIFE INSURANCE COMPANY, THE \$1.00 par common
NATIONAL OLD LINE INSURANCE COMPANY Class BB, nonvoting, \$1.00 par common	WASHINGTON NATIONAL CORPORATION \$5.00 par common
NATIONAL WESTERN LIFE INSURANCE COMPANY Class A, common	ADMISSION OF STATE BANK TO MEMBERSHIP IN FEDERAL RESERVE SYSTEM
NATIONWIDE CORPORATION Class A, \$2.50 par common	The following bank was admitted to membership in the Federal Reserve System during the period June 16, 1971, through July 15, 1971:
NORTH AMERICAN LIFE AND CASUALTY COMPANY \$1.00 par common	<i>Virginia</i>
NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY \$1.25 par common	Colonial Heights... First Virginia Bank of Colonial Heights.
OHIO CASUALTY CORPORATION \$.50 par common	

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the appointment of Robert C. Holland to the newly created post of Executive Director, effective August 15, 1971. Mr. Holland is succeeded as Secretary of the Board by Tynan Smith, who has been Assistant Director of the Board's Division of Supervision and Regulation. Mr. Holland continues to hold the position of Secretary of the Federal Open Market Committee.

The functions of the new Office of Executive Director will include the coordination and over-all planning of the activities of the staff in carrying out the Board's programs, and the handling of administrative affairs under the direction of the Chairman of the Board and other Board members with delegated functions.

Under this arrangement, the Board's various divisions will continue to deal directly with the Board on substantive policy matters. However, the Office of Executive Director will exercise supervision over the Office of the Secretary and over the work of the several Program Directors previously designated by the Board.

Effective September 1, 1971, the Board of Governors appointed James L. Vining as Assistant Director in the Division of Federal Reserve Bank Operations, in charge of the planning and systems development function.

Mr. Vining, who joined the staff of the Federal Reserve Bank of Atlanta in 1966, has been an Assistant Vice President in the Planning Department of that Bank since January 1970. He holds a B.S. degree in Industrial Engineering from Oklahoma State University and an M.S. in Industrial Management from the Georgia Institute of Technology.

RESIGNATION OF DIRECTOR

Roy J. Fisher, who had served since January 1, 1970, as a Board-appointed director of the Nashville Branch of the Federal Reserve Bank of Atlanta, resigned effective June 15, 1971, to take an overseas position with the Aluminum Company of America. Mr. Fisher had been Manager of Tennessee Operations of the Aluminum Company of America at Alcoa, Tennessee.

EXPANDED COMMUNICATIONS NETWORK

To further expedite payment traffic by making financial transactions for individuals and businesses quicker and cheaper, the Board of Governors on August 11, 1971, opened the System's recently expanded nationwide communications network for use, free of charge, for wire transfers of \$1,000 or more.

The new rules give depositors in Federal Reserve member banks direct access, through their banks, to the System's network. Depositors in nonmember banks can also arrange for such transfers, without charge for use of the System's facilities, when the payment is made via a correspondent member bank. The System's network provides access by member banks to communications among the 12 Federal Reserve Banks and their branch banks in 24 additional locations.

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System on July 22, 1971, announced its approval of actions by the directors of the Federal Reserve Banks of Cleveland, Richmond, Chicago, Kansas City, and Dallas increasing the discount rate of those banks from 4¾ per cent to 5 per cent, effective July 23. As of that date, the rate was 5 per cent at all Reserve Banks.

RECIPROCAL CURRENCY ARRANGEMENTS

The Federal Reserve announced on August 12, 1971, an increase in its reciprocal currency ("swap") arrangements with the Swiss National Bank and the National Bank of Belgium.

The arrangement with the Swiss National Bank has been increased by \$400 million to \$1 billion, and that with the National Bank of Belgium has been increased by \$100 million to \$600 million.

The increases enlarge the System's swap network with 14 central banks and the Bank for International Settlements to \$11.73 billion.

A swap arrangement is a renewable short-term facility under which a central bank agrees to exchange on request its own currency for the currency of the other party up to a maximum amount over a limited period of time.

The Federal Reserve swap network was initiated in 1962. In all reciprocal currency arrangements the Federal Reserve Bank of New York acts on behalf of the Federal Reserve System under the direction of the Federal Open Market Committee. The Federal Reserve's reciprocal currency arrangements are now as follows (in millions of dollars):

Austrian National Bank	\$ 200
National Bank of Belgium	600
Bank of Canada	1,000
National Bank of Denmark	200
Bank of England	2,000
Bank of France	1,000
German Federal Bank	1,000
Bank of Italy	1,250
Bank of Japan	1,000
Bank of Mexico	130
Netherlands Bank	300
Bank of Norway	200
Bank of Sweden	250
Swiss National Bank	1,000
Bank for International Settlements	
Swiss francs/dollars	600
Other European currencies/dollars	1,000
Total	\$11,730

CHANGES IN OTC MARGIN STOCKS

The Board of Governors has announced several changes, effective Monday, August 16, 1971, in its "List of OTC Margin Stocks" that was issued in revised form July 12, 1971. The list was first published on July 8, 1969.

Reece Corporation, The, \$1.00 par common, is added to the list.

The following stocks are deleted from the list: Bio-Dynamics, Inc., no par common; Coldwell, Banker and Company, no par common; Equimark Corporation, \$5.00 par common; Gifford-Hill & Company, \$2.00 par common; Hasbro Industries, \$.50 par common; James, Fred S. & Company, Inc., \$.50 par common; Philadelphia Suburban Corporation, \$1.00 par common; and United Life & Accident Insurance Company, \$1.00 par common.

Three other changes have been made: Motor Club of America Companies, \$.50 par common now reads Motor Club of America, \$.50 par common; New Jersey National Bank, \$5.00 par common is changed to NJN Bancorporation, \$5.00 par common; and Pittsburgh National Corporation, \$10.00 par common, becomes Pittsburgh National Corporation, \$5.00 par common.

NEW PUBLICATIONS

Open Market Policies and Operating Procedures—Staff Studies is available for distribution. It was prepared as part of a study of the policies and operating procedures implicit in the policy directives of the Federal Open Market Committee. This publication consists of the following papers: "The FOMC Directive as Structured in the Late 1960's: Theory and Appraisal" by Stephen H. Axilrod; "Short-Run Targets for Open Market Operations" by Richard G. Davis; "Selection of a Monetary Aggregate for Use in the FOMC Directive" by Leonall C. Andersen; "Determining the Optimum Monetary Instrument Variable" by John Kareken, Thomas Muench, Thomas Supel, and Neil Wallace; "The Trade-Off Between Short- and Long-Term Policy Goals" by James L. Pierce; "Tactics and Strategy in Monetary Policy" by Benjamin M. Friedman; "Rules-of-Thumb for Guiding Monetary Policy" by William Poole; and "Monetary Aggregates and Money Market Conditions in Open Market Policy" by Stephen H. Axilrod.

The first of three volumes on the *Reappraisal of the Federal Reserve Discount Mechanism* is also available for distribution. Based on a 3-year System-wide study, this publication gives the background and sets forth proposals for the redesign of Federal Reserve lending facilities. Volume 1 consists of the following: "Report of a System Committee" by the Steering Committee; "Report on Research Undertaken in Connection with a System Study" by Bernard Shull; "Transmittal Memoranda;" "Borrowings Data;" "Rationale and Objectives of the 1955 Revision of Regulation A" by Bernard Shull; "Evolution of the Role and the Functioning of the Discount Mechanism" by Clay J. Anderson; and "The Discount Mechanism in Leading Industrial Countries Since World War II" by George Garvy.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price of the open market report is \$2.00 per copy; in quantities of 10 or more sent to one address, \$1.75 each. The price of the discount study is \$3.00 per copy; in quantities of 10 or more sent to one address, \$2.50 each.

Announcements

CHANGE IN BOARD STAFF

The Board of Governors of the Federal Reserve System has appointed Benjamin R. W. Knowles, Jr., an Assistant Director in the Division of Data Processing, effective September 13.

Prior to joining the Board's staff in November 1970, Mr. Knowles was Manager of Knowles Associates and had previously been with International Business Machines and Wiley Systems, Inc. He holds B.S. and M.S. degrees from the Georgia Institute of Technology.

DIRECTORS OF FEDERAL RESERVE BANKS AND BRANCHES

Alan Pifer was appointed by the Board of Governors as a director of the Federal Reserve Bank of New York, effective October 1, 1971, to serve the remainder of a 3-year term expiring December 31, 1973. He is President of Carnegie Corporation of New York in New York City. As a director he succeeds the late Whitney M. Young, Jr.

The Board of Governors has appointed John C. Tune, Jr., of Nashville, Tennessee, as a director of the Nashville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of a term ending December 31, 1972. Mr. Tune is a partner in the law firm of Butler, McHugh, Butler, Tune & Watts, is chairman of the Metropolitan Nashville Airport Authority, and is board chairman and founder of John Tune Import Motors.

Frank G. Smith, who had served since January 1, 1966, as a Board-appointed director of the New Orleans Branch of the Federal Reserve Bank of Atlanta, resigned on September 3, 1971.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The Board of Governors on August 18, 1971, requested commercial banks and other financial institutions participating in the Voluntary Foreign Credit Restraint Program (VFCR) to continue to comply with the existing program for the time being.

The Board noted that the Senate–House conferees who worked out the final language of legislation exempting export credits from the VFCR made it clear that they intended to allow the Board time to make adjustments in the program. Their report to the Senate and House states:

The conferees recognize that a reasonable period of time, perhaps as much as 90 days, will be needed for the Federal Reserve Board to work out modifications in the Voluntary Foreign Credit Restraint Program reflecting the exemption for export credits, as well as any further changes needed to continue the program in effect for nonexport financing. The conferees intend and expect that the banks and other financial institutions which are now complying with the program will continue to do so until the necessary modifications can be accomplished by the Board.

The legislation, signed by the President, in addition to removing export credits from the VFCR program administered by the Federal Reserve as a part of the Government's over-all balance of payments program, also authorizes an increase in Export-Import Bank activities.

In explaining the steps announced by the President on August 15 to strengthen the domestic and international economic position of the United States, the White House stated that no new decision had been made with respect to the VFCR or the other programs to restrain outflows of capital abroad. It added that the restraints remain in effect and that their future disposition is under review.

OVERSEAS BRANCHES OF MEMBER BANKS

Total assets of the overseas branches of member banks increased by \$11.5 billion, or 28 per cent, during 1970 to a total of \$52.6 billion, the Board of Governors announced on September 15, 1971, in releasing data showing balance sheet items of overseas branches at the beginning and end of the year. The data cover the 536 overseas branches in operation at the end of 1970, an increase of 77 branches during the year.

The Board noted that the preponderance of the increase in total branch assets in 1970 was again accounted for by the branches in Europe, parti-

ASSETS AND LIABILITIES OF OVERSEAS BRANCHES OF MEMBER BANKS, END OF YEAR, 1969 AND 1970

In millions of dollars, unless otherwise indicated

Item	United Kingdom and Ireland		Continental Europe		Bahamas		Latin America		Far East		U.S. overseas areas and trust territories		Near East and Africa		Total	
	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970	1969	1970
Assets																
Cash.....	5,806	8,934	1,178	2,826	507	1,306	267	265	146	157	59	79	41	58	8,004	13,625
Loans.....	6,990	11,340	1,813	2,604	891	2,217	863	1,129	1,585	2,152	703	827	134	145	12,979	20,414
Due from head offices and U.S. branches.....	9,836	5,653	1,809	1,145	1,328	422	26	38	408	437	918	856	12	14	14,337	8,565
Other.....	2,121	3,741	1,664	2,921	267	476	428	623	1,118	1,677	124	471	78	98	5,800	10,007
Total.....	24,753	29,668	6,464	9,496	2,993	4,421	1,584	2,055	3,257	4,423	1,804	2,233	265	315	41,120	52,611
Liabilities																
Deposits:																
Demand.....	1,508	1,816	791	1,082	86	115	614	684	630	769	402	380	71	85	4,102	4,931
Time.....	21,223	23,568	3,871	5,976	2,733	3,779	344	438	1,020	1,276	1,054	1,306	173	205	30,418	36,548
Due to head offices and U.S. branches.....	15	1,194	117	35	25	92	112	78	322	178	213	160	2	8	806	1,745
Other.....	2,007	3,090	1,685	2,403	149	435	514	855	1,285	2,200	135	387	19	17	5,794	9,387
Total.....	24,753	29,668	6,464	9,496	2,993	4,421	1,584	2,055	3,257	4,423	1,804	2,233	265	315	41,120	52,611
Number of branches...	40	44	64	72	31	61	203	223	76	79	38	43	7	14	459	536

NOTE.—Data are from Board of Governors of the Federal Reserve System.

cularly those in London. Deposit growth was largely in time deposits, mainly Euro-dollars, in European and Bahamian branches.

Amounts due from head offices and U.S. branches declined by 40 per cent to \$8.6 billion, reflecting the easing of credit conditions in the United States during 1970, and represented 16 per cent of the total assets of the overseas branches as against 35 per cent at the end of 1969. Loans at overseas branches expanded by \$7.4 billion, or 57 per cent, during the year.

The data are derived from reports of condition filed at the end of the year with the Comptroller of the Currency and the Federal Reserve System, and differ in certain respects from other statistical

reports covering aspects of overseas branch operations. The assets and liabilities shown in the table are payable in U.S. dollars as well as in currencies of the countries where the branches are located and in other foreign currencies.

ADMISSION OF STATE BANK TO MEMBERSHIP IN FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period August 16, 1971, through September 15, 1971:

Tennessee

Powell . . . City and County Bank of Powell

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the following changes in its official staff:

David C. Melnicoff, First Vice President of the Federal Reserve Bank of Philadelphia, has been named Deputy Executive Director of the Board, effective October 12, 1971.

Edwin J. Johnson, Director of the Division of Personnel Administration, has been designated Assistant to the Board effective November 1, 1971.

Ronald G. Burke has been appointed Director of the Division of Personnel Administration to succeed Mr. Johnson, also effective on November 1, 1971.

Mr. Melnicoff, in addition to serving in various capacities in research and administration at the Reserve Bank of Philadelphia, has been associated with the Penn Fruit Company, the Pennsylvania Railroad, and Fels and Company. He holds B.A. and M.A. degrees from the University of Pennsylvania.

Mr. Burke has been with Computer Sciences Corporation, Falls Church, Virginia. Prior employment has included positions with Booz, Allen Applied Research Corporation and the System Development Corporation. He holds a B.S. degree from Ball State University and has done graduate study at American University and the University of Southern California.

ELECTION OF DIRECTOR

C. Graham Berwind, Jr., was elected on October 7 as a director of the Federal Reserve Bank of Philadelphia to serve the remainder of a 3-year term expiring December 31, 1971, and for a new 3-year term beginning January 1, 1972. He is president of the Berwind Corporation in Philadelphia. He succeeds Henry A. Thouron, who resigned on February 4, 1971.

DEATH OF A DIRECTOR

Ronald E. Reitmeier, who had served since January 1, 1969, as a Board-appointed director of the Louisville Branch of the Federal Reserve Bank of St. Louis, died on October 16. He was president of Catalysts and Chemicals Inc. in Louisville.

TRANSACTIONS IN FEDERAL AGENCY SECURITIES

The Federal Open Market Committee of the Federal Reserve System announced on September 16, 1971, that it had authorized outright purchase and sale transactions in securities of Federal agencies. The System's open market operations have involved mainly transactions in U.S. Treasury issues. Transactions in Federal agency securities will be initiated in the near future.

The volume of securities issued by Federal agencies has been growing rapidly in recent years. These securities are marketed to raise funds for a variety of governmental lending activities in such fields as housing, agriculture, and export financing.

System open market operations are conducted to carry out the objectives of monetary policy by affecting the volume of bank reserves, money, bank credit, and conditions in credit markets. The purpose of the new authorization is to widen the base of System open market operations and at the same time to add breadth to the market for agency securities. Up to now, open market operations in Federal agency issues have been confined to repurchase agreements with securities dealers.

Purchases and sales of Federal agency issues will be conducted by the Federal Reserve Bank of New York for the System Open Market Account. Along with other System Account transactions, they will be reflected in the weekly condition statement of the Federal Reserve Banks, which is issued every Thursday.

The Committee has approved initial guidelines for operations in agency issues. They are designed to assure that such operations will be consistent with other open market operations, to minimize technical operating problems, and to avoid dominating the Federal agency market. The guidelines will be subject to review and revision as operating experience is gained. Because the outstanding volume of many agency issues is small relative to that of U.S. Treasury obligations, Federal Reserve operations in such issues will be on a limited scale. They will not be directed at supporting individual sectors of the agency market or at channeling funds into issues of particular agencies.

**ADMISSION OF STATE BANKS
TO MEMBERSHIP IN THE
FEDERAL RESERVE SYSTEM**

The following banks were admitted to membership in the Federal Reserve System during the period September 16, 1971, through October 15, 1971:

Colorado

Brighton.....Platte Valley Bank

Ohio

Cincinnati.....The Southern Bank

Virginia

Sterling.....Commonwealth Bank and
Trust Company of Virginia

Announcements

APPOINTMENT OF DIRECTOR

Edward A. Sloan was appointed by the Board of Governors as a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco, effective November 15, 1971, to serve the remainder of a 3-year term expiring December 31, 1973. He is president of Sloan Dry Cleaners, Inc., in Los Angeles. As a director he succeeds Norman B. Houston, who resigned upon being appointed Deputy Assistant Secretary for Administration of the U.S. Department of Health, Education, and Welfare.

RESIGNATION OF DIRECTOR

William D. Eberle, who had served since September 10, 1970, as a Class B director of the Federal Reserve Bank of New York, resigned on November 9, 1971, to accept appointment as President Nixon's Special Representative for Trade Negotiations. Mr. Eberle had been chairman of the Board of American-Standard Inc. in New York City.

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System on November 10, 1971, approved actions by the directors of the Federal Reserve Banks of Boston, Philadelphia, Cleveland, St. Louis, Minneapolis, Dallas, and San Francisco, reducing the discount rate of those Banks from 5 per cent to 4¾ per cent, effective November 11. Subsequently, the Board approved similar actions by the di-

rectors of the Federal Reserve Banks of Richmond, Chicago, and Kansas City, effective November 12; by Atlanta, effective November 15; and by New York, effective November 19.

The change was made in recognition of reductions that have taken place in other short-term interest rates and is intended to bring the discount rate—which is the rate charged member banks for borrowing from their district Reserve Banks—into better alignment with short-term rates generally.

PUBLICATION OF DATA ON "DEMAND DEPOSIT OWNERSHIP"

Monthly estimates of ownership of gross demand deposits of individuals, partnerships, and corporations at weekly reporting banks in the United States and quarterly estimates (last month of each quarter) of such deposits at all commercial banks are now being published regularly in the Board's G.11 press release, "Demand Deposit Ownership." Similar data are available in the BULLETIN, page A-32.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period October 16, 1971, through November 15, 1971:

Montana

Ashland.....Cheyenne Western Bank

Announcements

RESIGNATION OF MR. SHERRILL AS A MEMBER OF THE BOARD OF GOVERNORS

Mr. William W. Sherrill, who had been a Member of the Board since May 1, 1967, resigned effective at the close of business on November 15, 1971. At the time of his appointment as a Member of the Board of Governors, Mr. Sherrill was a member of the Board of Directors of the Federal Deposit Insurance Corporation. Before his service with the Federal Government in Washington, he had served in various official capacities with the City of Houston, Texas, and as President of the Homestead Bank of Houston and Executive Vice President of the Jamaica Corporation.

Mr. Sherrill's letter of resignation and the President's letter of acceptance follow:

November 15, 1971.

My dear Mr. President:

I respectfully submit my resignation as a Member of the Board of Governors of the Federal Reserve System. It has been a privilege to serve in this position, and my decision to leave has been reached after careful consideration and with much reluctance.

It has been a genuine pleasure serving with Dr. Arthur Burns and my other colleagues, all men of unusual competence, and I shall miss their association. Dr. Burns' appointment as Chairman of the Federal Reserve Board will be marked, I believe, as one of the best appointments made by any President.

May I say that your courageous leadership in moving the nation toward economic stability has been a source of inspiration to me, Mr. President. As a private citizen, I hope to provide you continuing support as you carry the heavy burdens of your office. You may be sure that government service has made me recognize more clearly than most citizens how very much we all depend upon you.

Faithfully yours,
William W. Sherrill

The White House

December 10, 1971.

Dear Mr. Sherrill:

Your letter of November 15 has come to my attention, and as you have requested, I accept your resignation as a Member of the Board of Governors of the Federal Reserve System, effective November 15, 1971.

Your distinguished service in government, first as Director of the Federal Deposit Insurance Corporation and then for four years as a Member of the Board, has justly earned you the gratitude and admiration of every American. You have discharged your exacting responsibilities with great skill and dedication, and I have especially valued your important contributions and support during the past few months in our efforts to revitalize the nation's economy.

As you return to private life, you may be certain that I am pleased to join with your many friends and colleagues here in extending my warm wishes for continued success and happiness in the years ahead.

Sincerely,
Richard Nixon

APPOINTMENT OF DIRECTORS

Fred Adams, Jr., was appointed by the Board of Governors as a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta, effective October 27, 1971, for the remainder of a 3-year term expiring December 31, 1971, and for a new 3-year term beginning January 1, 1972. President of Cal-Maine Foods, Inc., in Jackson, Mississippi, he succeeds Frank G. Smith, former vice president of Mississippi Power & Light Company in Jackson, who resigned.

The Board of Governors also appointed John E. Sheehan, of Louisville, Kentucky, as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis for the remainder of a term that expires December 31, 1971. Mr. Sheehan, who is chairman of the board of Cohart Refractories Company, succeeds the late Dr. Ronald E. Reitmeier. Director John G. Beam was elected chairman of the Louisville Branch for the rest of 1971.

ELECTION OF CLASS A AND CLASS B DIRECTORS

The Federal Reserve Banks have announced the results of the annual elections by their member banks of Class A and Class B directors as shown below. The directors have been elected to serve for three years, beginning January 1, 1972:

Boston

Class A

MARK C. WHEELER, Chairman of the Board and President, New England Merchants National Bank of Boston, Massachusetts. Mr. Wheeler succeeds John Simmen, Chairman of the Board and Chief Executive Officer, Industrial National Bank of Rhode Island, Providence.

Class B

W. GORDON ROBERTSON, General Trustee, Bangor Punta Corporation, Bangor, Maine. (Re-elected)

New York

Class A

NORMAN BRASSLER, Chairman of the Board and Chief Executive Officer, New Jersey Bank N. A., Clifton, New Jersey. Mr. Brassler succeeds Charles E. Treman, Jr., President, Tompkins County Trust Company, Ithaca, New York.

Class B

FRANK R. MILLIKEN, President and Chief Executive Officer, Kennecott Copper Corporation, New York, New York. Mr. Milliken succeeds Milton C. Mumford, Chairman of the Board, Lever Brothers Company, New York, New York.

Philadelphia

Class A

JAMES H. DAWSON, President and Chairman of the Board, Bank of Delaware, Wilmington. Mr. Dawson succeeds Harold F. Still, Jr., President, Central Penn National Bank, Philadelphia, Pennsylvania.

Class B

C. GRAHAM BERWIND, JR., President and Chief Executive Officer, Berwind Corporation, Philadelphia, Pennsylvania. (Re-elected)

Cleveland

Class A

A. BRUCE BOWDEN, Vice Chairman of the Board, Mellon National Bank and Trust Company, Pittsburgh, Pennsylvania. Mr. Bowden succeeds George F. Karch, Chairman of the Board and Chief Executive Officer, The Cleveland Trust Company, Cleveland, Ohio.

Class B

DONALD E. NOBLE, President and Chief Executive Officer, Rubbermaid Incorporated, Wooster, Ohio. Mr. Noble succeeds J. William Henderson, Henderson & Associates, Columbus, Ohio.

Richmond

Class A

EDWARD N. EVANS, President, The Farmers and Merchants National Bank, Cambridge, Maryland. Mr. Evans succeeds Douglas D. Monroe, Jr., President, Chesapeake National Bank, Kilmarnock, Virginia.

Class B

HENRY C. HOFHEIMER, II, Member of the Executive Committee, Lone Star Industries, Inc., Norfolk, Virginia. Mr. Hofheimer succeeds Charles D. Lyon of Hagerstown, Maryland.

Atlanta

Class A

JACK P. KEITH, President, First National Bank of West Point, Georgia. Mr. Keith succeeds John W. Gay, President, The First National Bank of Scottsboro, Alabama.

Class B

OWEN COOPER, President, Mississippi Chemical Corporation and Coastal Chemical Corporation, Yazoo City, Mississippi. (Re-elected)

Chicago

Class A

FLOYD F. WHITMORE, President, The Okey-Vernon National Bank, Corning, Iowa. (Re-elected)

Class B

JOHN T. HACKETT, Treasurer and Vice President (Finance), Cummins Engine Company, Columbus, Indiana. Mr. Hackett succeeds Joseph O. Waymire of Indianapolis, Indiana.

St. Louis

Class A

EDWIN S. JONES, Chairman and Chief Executive Officer, First National Bank in St. Louis, Missouri. Mr. Jones succeeds James P. Hickok, Director, First National Bank in St. Louis, Missouri.

Class B

JAMES S. TUHOLSKI, President, Mead Johnson and Company, Evansville, Indiana. Mr. Tuholski succeeds Sherwood J. Smith, Chairman of the Board and President, D/P Computer Services, Inc., Evansville, Indiana.

Minneapolis

Class A

ROY H. JOHNSON, President, First National Bank of Negaunee, Michigan. Mr. Johnson succeeds Gustav A. Dahlen, President, First National Bank of Ironwood, Michigan.

Class B

JOHN H. BAILEY, President, The Cretex Companies, Inc., Elk River, Minnesota. (Re-elected)

Kansas City

Class A

JOHN A. O'LEARY, Chairman of the Board, The Peoples State Bank, Luray, Kansas. (Re-elected)

Class B

FRANK C. LOVE, President, Kerr-McGee Corporation, Oklahoma City, Oklahoma. Mr. Love succeeds Stanley Learned, Consultant, Phillips Petroleum Company, Bartlesville, Oklahoma.

Dallas

Class A

A. W. RITER, JR., President, The Peoples National Bank of Tyler, Texas. (Re-elected)

Class B

HUGH F. STEEN, President, El Paso Natural Gas Company, El Paso, Texas. (Re-elected)

San Francisco

Class A

CARL E. SCHROEDER, President, First National Bank of Orange County, Orange, California. Mr. Schroeder succeeds Ralph V. Arnold, Chairman of the Board and Chief Executive Officer, First National Bank and Trust Company, Ontario, California.

Class B

CHARLES R. DAHL, President and Chief Executive Officer, Crown Zellerbach Corporation, San Francisco, California. Mr. Dahl succeeds Herbert D. Armstrong, Treasurer, Standard Oil Company of California, San Francisco, California.

CHANGE IN DISCOUNT RATE

The Board of Governors on December 10, 1971, approved actions by the directors of the Federal Reserve Banks of Boston, St. Louis, Kansas City, and San Francisco, reducing the discount rate of those banks from 4¾ per cent to 4½ per cent, effective December 13. Subsequently, the Board approved similar actions by the directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, and Chicago, effective December 17.

The action was taken in recognition of the prevailing levels of market interest rates and to assist the progress of economic expansion.

CHANGE IN MARGIN REQUIREMENTS

The Board of Governors on December 3, 1971, lowered its margin requirement for purchasing or carrying stocks from 65 to 55 per cent, effective December 6.

In making the change, the Board cited the moderate level of outstanding stock market credit and the absence of indications of the excessive use of such credit. Margin credit extended by brokers totaled about \$5 billion at the end of October compared with the peak of about \$6.5 billion reached during June 1968. At large banks, loans for the purpose of purchasing or carrying securities currently amount to about \$2.5 billion.

This action covers new extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying stocks registered on a national stock exchange or named in the Board's over-the-counter margin list.

No change was made in the 50 per cent margin requirement for purchasing or carrying convertible bonds or in the 70 per cent "retention requirement" applicable to undermargined accounts. This latter requirement specifies the portion of the proceeds of a sale of securities from a margin account that

must be retained in the account if its equity does not match the new margin requirement.

In line with the new margin requirement, the required deposit on short sales was also lowered from 65 to 55 per cent, effective December 6.

Federal Reserve margin requirements set the minimum down payment that must be made to purchase margin securities. Under a 55 per cent margin requirement, a purchaser is required to pay 55 per cent of the purchase price and may obtain credit for the remaining 45 per cent.

DEMAND DEPOSIT OWNERSHIP DATA

Announcement was made in the November BULLETIN of plans to issue each month a release containing monthly and quarterly estimates on "Demand Deposit Ownership." It was contemplated that the release for late November, for example, would carry figures for October, whereas the November BULLETIN would carry figures only through September.

In view of the reporting schedules of banks and the need for additional amounts of data on which to base the estimates, a decision has been made to release the deposit ownership data only in the monthly BULLETIN.

NEW PUBLICATIONS

Joint Treasury—Federal Reserve Study of the U.S. Government Securities Market: Staff Studies—Part 2 is available for distribution. It consists of the following three papers: "Financial and Economic Environment of the 1960's in Relation to the U.S. Government Securities Market" by Edward C. Ettin; "Federal Agency Debt and Its Secondary Market" by Janice Peskin; and "Market Performance as Reflected in Aggregative Indicators" by Louise Ahearn and Janice Peskin.

The second of three volumes on the *Reappraisal of the Federal Reserve Discount Mechanism* is also available for distribution. Volume 2 consists of the following: "The Legitimacy of

Central Banks" by Kenneth E. Boulding; "Selective Credit Control" by Lester V. Chandler; "A Review of Recent Academic Literature on the Discount Mechanism" by David M. Jones; "Summary of Issues Raised at the Academic Seminar on Discounting" by Priscilla Ormsby; "Some Proposals for a Reform of the Discount Window" by Franco Modigliani; "An Evaluation of Some Determinants of Member Bank Borrowing" by Leslie M. Alperstein; "Toward a Seasonal Borrowing Privilege: A Study of Intra-year Fund Flows at Commercial Banks" by Emanuel Melichar; and "Capital and Credit Requirements of Agriculture, and Proposals to Increase Availability of Bank Credit" by Emanuel Melichar and Raymond J. Doll.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price of the Government securities study is \$1.00 per copy; in quantities of 10 or more sent to one address, 85 cents each. The price of the discount study is \$3.00 per copy; in quantities of 10 or more sent to one address, \$2.50 each.

CHANGE IN FEDERAL RESERVE DISTRICT BOUNDARIES

The Board of Governors has announced its approval of the transfer of 24 counties in Western Missouri from the St. Louis Federal Reserve

District to the Kansas City District, effective January 24, 1972.

This will be the first change in Federal Reserve district boundaries since April 15, 1926, when two counties in New Mexico were transferred from the Dallas District to the Kansas City District.

The Western Missouri area affected by the transfer is economically aligned with metropolitan Kansas City. The transfer would result in shorter distances for check and cash delivery routes. Banks in the 24-county area are located from 25 to 140 miles from Kansas City compared with 165 to 290 miles from St. Louis.

Counties affected by the transfer are Benton, Caldwell, Carroll, Cedar, Chariton, Cooper, Daviess, Grundy, Harrison, Henry, Hickory, Howard, Johnson, Lafayette, Linn, Livingston, Mercer, Morgan, Pettis, Putnam, Ray, St. Clair, Saline, and Sullivan.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period November 16, 1971, through December 15, 1971:

Mississippi

Foxworth.....Foxworth Bank

Missouri

Jackson.....Jackson Exchange Bank

Announcements

APPOINTMENT OF MR. SHEEHAN AS A MEMBER OF THE BOARD OF GOVERNORS

On December 23, 1971, the President announced the recess appointment of John E. Sheehan as a member of the Board of Governors. Mr. Sheehan took the oath of office, administered by Chairman Burns in the Board's building, on January 4. Subsequent ceremonies were held at the White House on January 13 with President Nixon and members of Mr. Sheehan's family present. At the time of his appointment, Mr. Sheehan was a director of the Louisville Branch of the Federal Reserve Bank of St. Louis.

The text of the White House announcement follows:

"The President on December 23, 1971, announced the recess appointment of John Eugene Sheehan as a member of the Board of Governors of the Federal Reserve System for the remainder of a term expiring January 31, 1982. He will succeed William W. Sherrill who resigned effective November 15, 1971, to return to private industry.

"Mr. Sheehan has been President and Executive Officer of the Corhart Refractories Company, a subsidiary of Corning Glass Works, in Louisville, Kentucky, since 1966. He is also a Director of the Orion Broadcasting Company in Louisville.

"From 1960 to 1963, Mr. Sheehan was a management consultant with the firm of McKinsey and Company, Inc., in New York City. In 1963 he joined the Martin Marietta Corporation in New York City and in 1964 became Vice President of the company's Cement and Lime Division.

"A native of Johnstown, Pennsylvania, Mr. Sheehan was born on December 11, 1929. He earned a B.S. degree in Engineering at the United States Naval Academy in 1952, and in 1960 graduated from Harvard Business School with an MBA with Distinction. He was commissioned an Ensign in the U.S. Navy in 1952 and resigned as a Lieutenant in 1958.

"Mr. Sheehan is married and the father of three children. He resides in Louisville, Kentucky."

CHANGE IN BOARD'S STAFF

The Board of Governors has announced that Ralph C. Bryant was appointed Director of the Board's Division of International Finance, effective January 13, 1972. He succeeded Robert Solomon, who had served as Director of the Division as well as Adviser to the Board since December 1966. Mr. Solomon continues as Adviser to the Board, primarily in the international field, and also as the Board's principal staff representative in international discussions.

DESIGNATIONS AND APPOINTMENTS OF CHAIRMEN AND FEDERAL RESERVE AGENTS, DEPUTY CHAIRMEN, AND DIRECTORS

For list see p. 83.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS

For list see p. 90.

FEDERAL OPEN MARKET COMMITTEE MINUTES

The Board of Governors of the Federal Reserve System and the Federal Open Market Committee announced on January 12, 1972, that minutes of discussions and actions at the Committee's meetings during the year 1966 are being transferred to the National Archives.

These minutes are contained in approximately 1,400 pages of typed material. Their transfer has been arranged with the understanding that the National Archives will make them available for inspection by interested persons under its usual rules and procedures.

Similar records for earlier years are already available at the National Archives on the same basis; minutes of the Committee for the years 1936 through 1960 were transferred in 1964; those for 1961, in 1967; and those for 1962 through 1965, in 1970. Complete microfilm copies of these earlier minutes may be obtained from the National Archives, 8th Street and Pennsylvania Ave., N.W., Washington, D.C. 20408. The National Archives will be prepared later to furnish similar copies of the 1966 minutes.

Copies of the records for the year 1966 also will be made available later for public inspection

at the Board's offices in Washington and at each Federal Reserve Bank and branch, the same procedure followed with respect to earlier records. Meanwhile, a work copy will be available for inspection at the Board's offices, and another at the Federal Reserve Bank of New York.

Release of the minutes from 1962 on has presented special problems involving international financial relationships, an area in which Federal Reserve activity has increased considerably in recent years. As in the case of the 1962-65 minutes, a few sentences or paragraphs have been deleted, with a footnote in each case indicating the general nature or subject of the deleted matter.

EARNINGS AND EXPENSES OF THE FEDERAL RESERVE BANKS IN 1970

Preliminary figures received from the Federal Reserve Banks indicate that during 1971 their gross current earnings amounted to \$3,723 million. Expenses totaled \$377 million, leaving net current earnings of \$3,346 million. With a \$94 million net addition to profit and loss account, net earnings before payments to the U.S. Treasury were \$3,440 million. Payments to the U.S. Treasury as interest on Federal Reserve notes amounted to \$3,357 million; statutory dividends to member banks, \$43 million; and additions to surplus accounts, \$40 million.

Under the policy adopted by the Board of Governors at the end of 1964, all net earnings after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1971 AND 1970

In thousands of dollars

Item	1971	1970
Current earnings	3,723,370	3,877,218
Current expenses	377,185	321,373
Current net earnings	3,346,185	3,555,845
Net addition to current net earnings	94,266	11,442
Net earnings before payments to U.S. Treasury	3,440,451	3,567,287
Dividends paid	43,488	41,136
Payments to U.S. Treasury (interest on F. R. notes).	3,356,560	3,493,571
Transferred to surplus	40,403	32,580

in capital were paid to the U.S. Treasury as interest on Federal Reserve notes.

Compared with 1970, gross earnings were down \$154 million, or 4 per cent (see table). The principal decreases in earnings were as follows: on Government securities, \$77 million; on discounts and advances, \$30 million; and on foreign currencies, \$46 million.

Expenses in 1971 were up \$56 million, about 17 per cent, and dividends \$2 million.

CHANGE IN DISCOUNT RATE

The Board of Governors approved actions reducing the discount rate from 4¾ per cent to 4½ per cent by the directors of the Federal Reserve Banks of Atlanta and Minneapolis, effective December 23, and by the directors of the Federal Reserve Banks of Richmond and Dallas, effective December 24, 1971. As of that date, the rate was 4½ per cent at all Reserve Banks.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The following are summaries of interpretations of the Voluntary Foreign Credit Restraint Guidelines that have been issued, under authority delegated to Governor Andrew F. Brimmer, to the Federal Reserve Banks since November 11, 1971, when revised Guidelines were announced by the Board (BULLETIN, November 1971, pp. 906-16):

Export Credits Not to Be Charged Against Ceilings, December 29, 1971

Guideline provision

Claims on foreigners and other foreign assets are to be confined within the amount of institutions' Guideline ceilings (II-A-1 and III-B-1). Export credits are exempted from these restraints (II-B-1-a and III-E-1).

A U.S. corporation inquired whether an export credit it extended to an "affiliated foreign national" (one of its foreign subsidiaries) could be sold to a U.S. bank and charged against the bank's VFCR ceiling. The corporation desired such a charge be made under the Commerce Department's Foreign Direct Investment Program, to benefit from a recorded transfer of capital from its subsidiary.

Interpretation

An export credit, with one exception, should not be charged against a VFCR ceiling, even though the bank or other financial institution may be willing to incur the charge. The exception is that a loan purchased by a bank from its own foreign branch or other foreigner and financing exports

shipped before November 11, 1971, is to be reported under the bank's ceiling (as specified in Section II-B-1-b).

Definition of Export Credits—Inclusion of Industrial Property and Technology, December 16, 1971

Guideline provision

Export credits apply to the financing of the export of U.S. goods and of U.S. services performed abroad, as defined (IV-3).

Interpretation

Credits to foreigners that finance the sale or lease of U.S. "industrial property" (patents, copyrights, and trademarks) and of other industrial technology are to be treated as export credits.

Tanker Financing, December 1971

Guideline provision

Long-term investments by nonbank financial institutions in developing countries to finance the construction or operation of foreign-built vessels are to be charged against Guideline ceilings unless a corresponding transfer of capital is made by a direct investor under the Foreign Direct Investment Program administered by the Department of Commerce (III-D-4). Under the previous Guidelines, banks involved in such financing were expected to charge the full amount of the financing by themselves and, to the extent nonbank financial institutions participated, by the latter to the banks' ceilings.

Interpretation

Banks and nonbank financial institutions are to charge against their VFCR ceilings the amount of the financing that they provide, except that the ceiling charges of the nonbank financial institutions are to be reduced to the extent that the U.S. oil company is charged with the investment under the Foreign Direct Investment Program administered by the Department of Commerce.

STATEMENT ON NONDISCRIMINATORY REAL ESTATE FINANCING

The Board of Governors on December 17, 1971, issued a statement directing the 1,150 State-chartered banks that are members of the System to give public notice that their real estate financing is nondiscriminatory.

At the same time, the Board disclosed that it has been seeking to improve compliance by banks under its supervision with civil rights legislation applying to real estate lending by use of a civil rights questionnaire in bank examinations.

The Board's statement, and the questionnaire, are steps in a series of actions through which the

Federal Reserve System is working with banks to encourage nondiscriminatory lending and to help the public to understand and use its civil rights in the real estate lending area.

The Board said it was issuing its statement because "increased public awareness of nondiscrimination requirements, and the availability of complaint procedures," are necessary for affirmative implementation of those provisions of the 1968 Civil Rights Act directed at the real estate lending activities of financial institutions.

The statement, to become effective March 1—simultaneously with actions by other Federal agencies with regulatory responsibilities in the real estate lending field—called for banks and other lenders to display posters in their lobbies announcing that they are an "Equal Housing Lender" and giving directions for filing complaints. It also required that advertising signify nondiscriminatory real estate lending.

Federal Reserve Bank examiners have been using a civil rights questionnaire in all regular bank examinations since October. Answers to the questions come from the examiners' observations of the banks' conduct of its affairs, or from information supplied by the bank management. The examiner is authorized to conduct such investigation as is needed to secure information necessary to answer the questions.

The questionnaire to monitor banks' compliance with the law also requires answers to questions which indicate the banks' knowledge of the Civil Rights Act. This statute makes it unlawful for a bank to deny a loan or other financial assistance for the purpose of buying, building, improving, repairing, or maintaining a dwelling because of the loan applicant's race, color, religion, or national origin. The questionnaire also directs attention to provisions making it unlawful to stiffen the terms of a loan in any way for such reasons. Prohibitions against discrimination, it is noted, apply also to any person associated with a loan applicant, any property owner, lessee, or tenants and occupants.

If a bank makes real estate loans, the examiner seeks answers to such questions as how real estate loans made to minority group members compare to the bank's total real estate loans, relative to the proportion of minority groups' population in the total service area population; whether the bank refuses to make loans in neighborhoods with high percentages of minority populations; and if it makes loans to minority group members to purchase real estate in areas where there are no or few minority group persons.

The new requirements in the Board's statement were described as "minimum procedures" for all financial institutions subject to the Board's supervision. They were:

1. Posting in the lobbies of banks—and each of their branches—display size notices that the lending institution is an "Equal Housing Lender." These posters are to display a logotype symbol indicating nondiscriminatory real estate lending.

The posters are also to assist the public in registering complaints, by providing a toll-free number for reporting complaints to the Department of Housing and Urban Development from anywhere in the United States.

2. Prominent indication in the lender's advertising—whether the advertising is done directly or through a third party—that its real estate lending is free from discrimination.

3. Banning of "words, phrases, symbols, directions, forms, models or other means" that would imply discrimination.

4. Inclusion in advertising of the logotype symbol for nondiscriminatory lending.

The Board's statement affects State chartered banks that are members of the Federal Reserve System. Similar statements, applying to other banks—and savings and loan associations—are being issued by the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Federal Home Loan Bank Board.

The Board had earlier taken other steps to implement civil rights legislation affecting real estate lenders. These include:

A special course of study in Federal Reserve schools for bank examiners. The course, given to all examiners in recent schools, has been aimed at acquainting them with the provisions of civil rights legislation as they apply to financial institutions, with the objective of increasing their ability to encourage and monitor compliance.

In response to a request from the U. S. Treasury Department, at each bank examination, an inquiry is made by the bank examiner to determine whether all required Equal Employment Opportunity reports have been submitted to the Equal Employment Opportunity Commission and the U. S. Department of the Treasury. Additionally, examiners determine if banks employing 50 or more persons have on file a written Affirmative Action Plan for minority group employment. Examiners forward copies of their report to the Director of Equal Employment Opportunity, U. S. Treasury. Copies of those reports that indicate questions as to compliance are forwarded to the

Board's Director of Equal Employment Opportunity.

Statement on Civil Rights Act Nondiscrimination Requirements in Real Estate Loan Activities

Section 805 of Title VIII of the Civil Rights Act of 1968 (42 U.S.C. 3605) makes it unlawful for any bank, building and loan association, insurance company, or other corporation, association, firm, or enterprise whose business consists in whole or in part in the making of real estate loans, to deny a loan or other financial assistance to a person applying therefor for the purpose of purchasing, constructing, improving, repairing, or maintaining a dwelling, or to discriminate against him in the fixing of the amount, interest rate, duration, or other terms and conditions of such loan or other financial assistance, because of his race, color, religion, or national origin.

Recognizing that increased public awareness of nondiscrimination requirements and the availability of complaint procedures is necessary for effective implementation of the Civil Rights Act's provisions imposed on financial institutions, the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, and the Board of Governors of the Federal Reserve System have adopted the following as minimum procedures to be utilized by all financial institutions subject to their supervisory authority.

1. Advertisement Notice of Nondiscrimination Compliance.

After March 1, 1972, any financial institution which directly or through third parties engages in any form of advertising of real estate lending services shall prominently indicate, in a manner appropriate to the advertising media and format utilized, that the financial institution makes real estate loans without regard to race, color, religion, or national origin. No words, phrases, symbols, directions, forms, models, or other means shall be used to express, imply, or suggest a discriminatory preference or policy of exclusion in violation of the provisions of Title VIII of the Civil Rights Act of 1968. Written advertisements relating to real estate loans should include a facsimile of the logotype . . . in order to increase public recognition of the nondiscrimination requirements and guarantees of Title VIII.

2. Lobby Notice of Nondiscrimination Compliance.

After March 1, 1972, every institution engaged in extending real estate loans shall conspicuously

display in the public lobby of each of its offices a notice that incorporates a facsimile of the logotype and attests to that institution's policy of compliance with the nondiscrimination requirements of Title VIII of the Civil Rights Act of 1968. Such notice shall include the address and phone number of the Department of Housing and Urban Development as the agency to be notified concerning any complaint alleging a violation of the nondiscrimination provisions of Title VIII.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period December 16, 1971, through January 15, 1972:

Virginia

AnnandaleFirst Virginia Bank
OrangeFirst Virginia Bank of Orange

**DESIGNATIONS AND APPOINTMENTS OF CHAIRMEN AND FEDERAL RESERVE AGENTS,
DEPUTY CHAIRMEN, AND DIRECTORS**

The Board of Governors of the Federal Reserve System announced its appointments at the Federal Reserve Banks and branches, effective January 1, 1972. The appointments are for Chairmen (who also serve as Federal Reserve Agents), Deputy Chairmen, and directors at the Federal Reserve Banks, and for directors at the Federal Reserve branches.

Names in CAPITALS indicate NEW appointments; all others are reappointments. Brief biographic data about each of the new appointees follow the listings.

CHAIRMEN AND FEDERAL RESERVE AGENTS

(One-year terms)

Federal Reserve Bank:

Boston	James S. Duesenberry, Professor of Economics, Harvard University, Cambridge, Massachusetts
New York	ROSWELL L. GILPATRICK, Partner, Cravath, Swaine & Moore, Attorneys, New York, New York
Philadelphia	Bayard L. England, former Chairman of the Board, Atlantic City Electric Company, Atlantic City, New Jersey
Cleveland	Albert G. Clay, President, Clay Tobacco Company, Mt. Sterling, Kentucky
Richmond	ROBERT W. LAWSON, Jr., Managing Partner of Charleston Office, Steptoe & Johnson, Charleston, West Virginia
Atlanta	JOHN C. WILSON, President, Horne-Wilson, Inc., Atlanta, Georgia
Chicago	Emerson G. Higdon, President, The Maytag Company, Newton, Iowa
St. Louis	Frederic M. Peirce, Chairman of the Board, Chief Executive Officer, General American Life Insurance Company, St. Louis, Missouri
Minneapolis	David M. Lilly, Chairman of the Board, The Toro Company, Minneapolis, Minnesota
Kansas City	Robert W. Wagstaff, Chairman of the Board, President, Coca-Cola Bottling Company of Mid-America, Inc., Kansas City, Missouri
Dallas	Charles F. Jones, Vice Chairman of the Board, Humble Oil & Refining Company, Houston, Texas
San Francisco	O. Meredith Wilson, President, Director, Center for Advanced Study in the Behavioral Sciences, Stanford, California

DEPUTY CHAIRMEN

(One-year terms)

Federal Reserve Bank:

Boston	Louis W. Cabot, Chairman of the Board, Cabot Corporation, Boston, Massachusetts
New York	ELLISON L. HAZARD, Chairman of the Executive Committee, Continental Can Company, Inc., New York, New York

Philadelphia	JOHN R. COLEMAN, President, Haverford College, Haverford, Pennsylvania
Cleveland	J. Ward Keener, Chairman of the Board, The B. F. Goodrich Company, Akron, Ohio
Richmond	STUART SHUMATE, President, Richmond, Fredericksburg and Potomac Railroad Company, Richmond, Virginia
Atlanta	H. G. PATTILLO, President, Pattillo Construction Company, Inc., Decatur, Georgia
Chicago	William H. Franklin, President, Caterpillar Tractor Company, Peoria, Illinois
St. Louis	Sam Cooper, President, HumKo Products, Division of Kraftco Corporation, Memphis, Tennessee
Minneapolis	Bruce B. Dayton, Chairman of the Board, Dayton Hudson Corporation, Minneapolis, Minnesota
Kansas City	Willard D. Hosford, Jr., Vice President, General Manager, John Deere Company, Omaha, Nebraska
Dallas	Philip G. Hoffman, President, University of Houston, Texas
San Francisco	S. Alfred Halgren, Senior Vice President, Director, Carnation Company, Los Angeles, California
	FEDERAL RESERVE BANK DIRECTORS ¹ (Three-year terms unless otherwise indicated)
Boston	James S. Duesenberry (see above)
New York	Roswell L. Gilpatric (see above) ELLISON L. HAZARD (see above) (for remainder of 3-year term expiring December 31, 1972)
Philadelphia	EDWARD W. ROBINSON, Jr., President, Chief Executive Officer, Provident Home Industrial Mutual Life Insurance Company, Philadelphia, Pennsylvania
Cleveland	Horace A. Shepard, Chairman of the Board, Chief Executive Officer, TRW Inc., Cleveland, Ohio
Richmond	E. CRAIG WALL, Sr., Chairman of the Board, Canal Industries, Inc., Conway, South Carolina
Atlanta	H. G. PATTILLO (see above)
Chicago	William H. Franklin (see above)
St. Louis	Frederic M. Peirce (see above)
Minneapolis	Bruce B. Dayton (see above)
Kansas City	Robert W. Wagstaff (see above)
Dallas	Charles F. Jones (see above)
San Francisco	MAS OJI, President, Oji Bros. Farm, Inc., Yuba City, California

¹Each Federal Reserve Bank has a board of directors consisting of nine members, divided equally into three classes, known as Classes A, B, and C. The six A and B directors are elected by the member banks, and the three C directors are appointed by the Board of Governors.

One term in each class of directors expires at the end of each year. The Board of Governors appoints the Chairmen and Deputy Chairmen from among the Class C directors.

FEDERAL RESERVE BANK BRANCH DIRECTORS²
(Three-year terms unless otherwise indicated)

*Federal Reserve Bank
and Branch:*

New York

Buffalo Norman F. Beach, Vice President, Eastman Kodak Company, Rochester, New York

Cleveland

Cincinnati Graham E. Marx, President, General Manager, The G. A. Gray Company, Cincinnati, Ohio

Pittsburgh Richard M. Cyert, Dean, Graduate School of Industrial Administration, Carnegie-Mellon University, Pittsburgh, Pennsylvania

Richmond

Baltimore JAMES G. HARLOW, President, West Virginia University, Morgantown, West Virginia

Charlotte CHARLES F. BENBOW, Vice President, R. J. Reynolds Industries Inc., Winston-Salem, North Carolina

ROBERT C. EDWARDS, President, Clemson University, Clemson, South Carolina (for remaining year of 3-year term expiring December 31, 1972)

Atlanta

Birmingham William Cecil Bauer, president, South Central Bell Telephone Company, Birmingham, Alabama

Jacksonville GERT H. W. SCHMIDT, President, Television 12 of Jacksonville, Florida

Nashville Edward J. Boling, President, The University of Tennessee, Knoxville, Tennessee

New Orleans Fred Adams, Jr., President, Cal-Maine Foods, Inc., Jackson, Mississippi

Chicago

Detroit Peter B. Clark, Chairman of the Board, President, The Evening News Association, Detroit, Michigan

St. Louis

Little Rock Al Pollard, President, Al Pollard & Associates, Little Rock, Arkansas

Memphis C. Whitney Brown, President, S. C. Toof & Company, Memphis, Tennessee

Minneapolis

(2-year term)

Helena William A. Cordingley, Publisher, *Great Falls Tribune*, Great Falls, Montana

Kansas City

(2-year terms)

Denver MAURICE B. MITCHELL, Chancellor, University of Denver, Colorado

²Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of

Governors of the Federal Reserve System. The announcement of the appointments of branch directors made by the Federal Reserve Banks is published on page 90.

FEDERAL RESERVE BANK BRANCH DIRECTORS—Continued

Oklahoma City	JOSEPH H. WILLIAMS, President, Chief Operating Officer, The Williams Companies, Tulsa, Oklahoma
Omaha	A. James Ebel, Vice President, General Manager, Cornhusker Television Corporation, Lincoln, Nebraska
<i>Dallas</i>	
El Paso	GAGE HOLLAND, Owner, Gage Holland Ranch, Marathon, Texas
Houston	K. R. M. Buckley, President, Director, Eastex Incorporated, Silsbee, Texas
San Antonio	MARSHALL BOYKIN III, Partner, Wood, Boykin & Wolters, Attorneys, Corpus Christi, Texas
<i>San Francisco</i>	
Los Angeles	RUTH HANDLER, President, Mattel, Inc., Hawthorne, California
(2-year terms)	
Portland	Frank Anderson, Farmer, Heppner, Oregon
Salt Lake City	THEODORE C. JACOBSEN, Chairman of the Board, Jacobsen Construction Company, Inc., Salt Lake City, Utah
Seattle	THOMAS T. HIRAI, President, Quality Growers Company, Inc., Quincy, Washington

Federal Reserve Bank of New York

ROSWELL L. GILPATRIC, New York, New York, who has been serving as a Board-appointed director of the Federal Reserve Bank of New York since January 1, 1969, and had been Deputy Chairman since January 1, 1971, was designated Chairman of the Bank for the year 1972. He is a partner in the law firm of Cravath, Swaine & Moore in New York City. As Chairman he succeeds Albert L. Nickerson, who resigned as a director effective December 31, 1971.

ELLISON L. HAZARD, New York, New York, was appointed a Class C director of the Federal Reserve Bank of New York for the remaining year of a three-year term expiring December 31, 1972, and was appointed Deputy Chairman for the year 1972. He is Chairman of the Executive Committee of Continental Can Company, Inc., in New York City. As a director he succeeds Albert L. Nickerson, and as Deputy Chairman he succeeds Roswell L. Gilpatric (see preceding paragraph).

Federal Reserve Bank of Philadelphia

JOHN R. COLEMAN, Haverford, Pennsylvania, who has been serving as a Board-appointed director of the Federal Reserve Bank of Philadelphia since January 1, 1971, was appointed Deputy Chairman of the Bank for the year 1972. He is President of Haverford College. As Deputy Chairman he succeeds D. Robert Yarnall, Jr., President of Yarway Corporation, Blue Bell, Pennsylvania, whose terms as Deputy Chairman and as a director expired December 31, 1971.

EDWARD W. ROBINSON, Jr., Philadelphia, Pennsylvania, was appointed a Class C director of the Federal Reserve Bank of Philadelphia for a three-year term beginning January 1, 1972. He is President and Chief Executive Officer of Provident Home Industrial Mutual Life Insurance Company in Philadelphia. As a director he succeeds D. Robert Yarnall, Jr. (see preceding paragraph).

Federal Reserve Bank of Richmond

ROBERT W. LAWSON, Jr., Charleston, West Virginia, who has been serving as a Board-appointed director of the Federal Reserve Bank of Richmond since January 1, 1967, and had been

Deputy Chairman since January 1, 1968, was designated Chairman of the Bank for the year 1972. He is Managing Partner of Steptoe & Johnson, Attorneys, in Charleston. As Chairman he succeeds Wilson H. Elkins, President of the University of Maryland, College Park, whose terms as Chairman and as a director expired December 31, 1971.

STUART SHUMATE, Richmond, Virginia, who has been serving as a Board-appointed director of the Federal Reserve Bank of Richmond since January 1, 1968, was appointed Deputy Chairman of the Bank for the year 1972. He is President of the Richmond, Fredericksburg and Potomac Railroad Company in Richmond. As Deputy Chairman he succeeds Robert W. Lawson, Jr. (see preceding paragraph).

E. CRAIG WALL, Sr., Conway, South Carolina, who had been serving as a Board-appointed director of the Charlotte Branch of the Federal Reserve Bank of Richmond since January 1, 1970, was appointed a Class C director of the Bank for a three-year term beginning January 1, 1972. He is Chairman of the Board of Canal Industries, Inc., in Conway. As a director he succeeds Wilson H. Elkins (see two paragraphs above).

JAMES G. HARLOW, Morgantown, West Virginia, was appointed a director of the Baltimore Branch of the Federal Reserve Bank of Richmond for a three-year term beginning January 1, 1972. He is President of West Virginia University in Morgantown. As a director he succeeds James M. Jarvis, Chairman of the Board of Crane Construction Company, Clarksburg, West Virginia, whose term as a director expired December 31, 1971.

ROBERT C. EDWARDS, Clemson, South Carolina, was appointed a director of the Charlotte Branch of the Federal Reserve Bank of Richmond for the remaining year of a three-year term expiring December 31, 1972. He is President of Clemson University. As a director he succeeds E. Craig Wall, Sr. (see two paragraphs above).

CHARLES F. BENBOW, Winston-Salem, North Carolina, was appointed a director of the Charlotte Branch of the Federal Reserve Bank of

Richmond for a three-year term beginning January 1, 1972. He is Vice President of R. J. Reynolds Industries, Inc., in Winston-Salem. As a director he succeeds John L. Fraley, President of Carolina Freight Carriers Corporation, Cherryville, North Carolina, whose term as a director expired December 31, 1971.

Federal Reserve Bank of Atlanta

JOHN C. WILSON, Atlanta, Georgia, who has been serving as a Board-appointed director and had been Deputy Chairman of the Federal Reserve Bank of Atlanta since January 1, 1968, was designated Chairman of the Bank for the year 1972. He is President of Horne-Wilson, Inc., in Atlanta. As Chairman he succeeds Edwin I. Hatch, President of Georgia Power Company, Atlanta, whose terms as Chairman and as a director expired December 31, 1971.

H. G. PATTILLO, Decatur, Georgia, was appointed a Class C director of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1972, and was appointed Deputy Chairman of the Bank for the year 1972. He is President of Pattillo Construction Company, Inc., in Decatur. As a director he succeeds Edwin I. Hatch and as Deputy Chairman he succeeds John C. Wilson (see preceding paragraph).

GERT H. W. SCHMIDT, Jacksonville, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1972. He is President of Television 12 of Jacksonville. As a director he succeeds Castle W. Jordan, President of AO Industries, Inc., Coral Gables, Florida, whose term as a director expired December 31, 1971.

Federal Reserve Bank of Kansas City

MAURICE B. MITCHELL, Denver, Colorado, was appointed a director of the Denver Branch of the Federal Reserve Bank of Kansas City for a two-year term beginning January 1, 1972. He is Chancellor of the University of Denver. As a director he succeeds Cris Dobbins, retired Chairman of the Board of Ideal Basic Industries, Inc., Denver, whose term as a director expired December 31, 1971.

JOSEPH H. WILLIAMS, Tulsa, Oklahoma, was appointed a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for a two-year term beginning January 1, 1972. He is President and Chief Operating Officer of The Williams Companies in Tulsa. As a director he succeeds C. W. Flint, Jr., Chairman of the Board of Flint Steel Corporation, Tulsa, whose term as a director expired December 31, 1971.

Federal Reserve Bank of Dallas

GAGE HOLLAND, Marathon, Texas, was appointed a director of the El Paso Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1972. He is owner of Gage Holland Ranch at Marathon. As a director he succeeds Joseph M. Ray, Benedict Professor of Political Science of the University of Texas at El Paso, whose term as a director expired December 31, 1971.

MARSHALL BOYKIN III, Corpus Christi, Texas, was appointed a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1972. He is a Partner in Wood, Boykin & Wolters, Attorneys, in Corpus Christi. As a director he succeeds Francis B. May, Professor of Business Statistics of the University of Texas, Austin, whose term as a director expired December 31, 1971.

Federal Reserve Bank of San Francisco

MAS OJI, Yuba City, California, was appointed a Class C director of the Federal Reserve Bank of San Francisco for a three-year term beginning January 1, 1972. He is President of Oji Bros. Farm, Inc., at Yuba City. As a director he succeeds Bernard T. Rocca, Jr., Director of and Consultant to Pacific Vegetable Oil Corporation, San Francisco, California, whose term as a director expired December 31, 1971.

RUTH HANDLER, Hawthorne, California, was appointed a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for a three-year term beginning January 1, 1972. She is President of Mattel, Inc., in Hawthorne. As a director she succeeds J. Leland Atwood, Senior Consultant to North American Rockwell Corpora-

tion, Los Angeles, California, whose term as a director expired December 31, 1971.

THEODORE C. JACOBSEN, Salt Lake City, Utah, was appointed a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for a two-year term beginning January 1, 1972. He is Chairman of the Board of Jacobsen Construction Company, Inc., in Salt Lake City. As a director he succeeds Royden G. Derrick, President and General Manager of Western Steel Com-

pany, Salt Lake City, whose term as a director expired December 31, 1971.

THOMAS T. HIRAI, Quincy, Washington, was appointed a director of the Seattle Branch of the Federal Reserve Bank of San Francisco for a two-year term beginning January 1, 1972. He is President of Quality Growers Company, Inc., at Quincy. As a director he succeeds Francis G. Crane, Manager of Crane and Crane Orchards and Cold Storage, Brewster, Washington, whose term as a director expired December 31, 1971.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS¹

The Federal Reserve Banks have announced the following appointments of branch directors. The appointments have been made for terms of three years beginning January 1, 1972, except as otherwise indicated. Names in CAPITALS indicate NEW appointments; all others are reappointments.

*Federal Reserve Bank
and Branch:*

New York

Buffalo

THEODORE M. McCLURE, President, The Citizens National Bank and Trust Company, Wellsville, New York, succeeds James I. Wyckoff, Chairman of the Board, The National Bank of Geneva, New York.

Cleveland

Cincinnati

E. PAUL WILLIAMS, President, The Second National Bank of Ashland, Kentucky, succeeds Robert B. Johnson, President, Pikeville National Bank & Trust Company, Pikeville, Kentucky.

Pittsburgh

CHARLES F. WARD, President, Gallatin National Bank, Uniontown, Pennsylvania, succeeds Charles H. Bracken, President and Chief Executive Officer, Marine National Bank, Erie, Pennsylvania.

Richmond

Baltimore

Tilton H. Dobbin, President and Chairman of the Executive Committee, Maryland National Bank, Baltimore, Maryland.

Charlotte

L. D. Coltrane III, President, The Concord National Bank, Concord, North Carolina.

Atlanta

Birmingham

W. EUGENE MORGAN, President, The First National Bank of Huntsville, Alabama, succeeds K. M. Varner, Jr., President, The First National Bank of Auburn, Alabama.

Jacksonville

GUY W. BOTTS, Vice Chairman of the Board, Barnett Bank of Jacksonville, N.A., Jacksonville, Florida, succeeds Edward W. Lane, President, The Atlantic National Bank of Jacksonville, Florida.

Nashville

THOMAS C. MOTTERN, President, Hamilton National Bank of Johnson City, Tennessee, succeeds Hugh M. Willson, President, Citizens National Bank, Athens, Tennessee.

New Orleans

ARCHIE R. McDONNELL, President, Citizens National Bank, Meridian, Mississippi, succeeds E. W. Haining, President, The First National Bank of Vicksburg, Mississippi.

¹Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of Governors of the

Federal Reserve System. The announcement of appointments of Branch directors made by the Board of Governors is published on page 85.

Chicago

Detroit

HAROLD A. ELGAS, President, Gaylord State Bank, Gaylord, Michigan, succeeds B. P. Sherwood, Jr., President, Security First Bank & Trust Company, Grand Haven, Michigan.

St. Louis

Little Rock

WILL H. KELLEY, President and Chief Executive Officer, The State First National Bank of Texarkana, Arkansas, succeeds Louis E. Hurley, Chairman of the Board and Chief Executive Officer, The Exchange Bank & Trust Company, El Dorado, Arkansas.

Louisville

Hugh M. Shwab, Chairman of the Boards, The Kentucky Trust Company, and First National Bank of Louisville, Kentucky.

Memphis

WADE C. BARTON, President, First Citizens National Bank, Tupelo, Mississippi, succeeds Wade W. Hollowell, President, The First National Bank of Greenville, Mississippi.

Minneapolis (2-year term)

Helena

Richard D. Rubie, President, Missoula Bank of Montana, Missoula, Montana.

Kansas City (2-year terms)

Denver

JOHN W. HAY, Jr., President, Rock Springs National Bank, Rock Springs, Wyoming, succeeds Armin B. Barney, Chairman of the Board, The Colorado Springs National Bank, Colorado Springs, Colorado.

Oklahoma City

W. H. McDonald, Chairman of the Executive Committee, The First National Bank and Trust Company of Oklahoma City, Oklahoma.

Omaha

GLENN YAUSSEI, Chairman of the Board, National Bank of Commerce Trust & Savings, Lincoln, Nebraska, succeeds John W. Hay, Jr. (see second preceding paragraph).

Dallas

El Paso

WAYNE STEWART, President, First National Bank in Alamogordo, New Mexico, succeeds Joe B. Sisler, President, The Clovis National Bank, Clovis, New Mexico.

Houston

SETH W. DORBANDT, Chairman of the Board and President, First National Bank in Conroe, Texas, succeeds Henry B. Clay, President, First Bank & Trust, Bryan, Texas.

San Antonio

LEON STONE, President, The Austin National Bank, Austin, Texas, succeeds James T. Denton, Jr., Chairman of the Board and Chief Executive Officer, Corpus Christi Bank and Trust, Corpus Christi, Texas.

San Francisco

Los Angeles

W. GORDON FERGUSON, President, National Bank of Whittier, California, succeeds Carl E. Schroeder, President, The First National Bank of Orange County, California (1 year of term remains).

San Francisco—Continued

Los Angeles—Continued

RAYBURN S. DEZEMBER, Chairman of the Board and President, American National Bank, Bakersfield, California, succeeds Sherman Hazeltine, Chairman of the Board and Chief Executive Officer, First National Bank of Arizona, Phoenix, Arizona.

(2-year terms)

Portland

LeRoy B. Staver, Chairman of the Board and Chief Executive Officer, United States National Bank of Oregon, Portland, Oregon.

Salt Lake City

JOSEPH BIANCO, Chairman of the Board and President, Bank of Idaho, Boise, Idaho, succeeds William E. Irvin, Director, The Idaho First National Bank, Boise, Idaho.

Seattle

Joseph C. Baillargeon, Chairman of the Board and Chief Executive Officer, Seattle Trust & Savings Bank, Seattle, Washington.

Announcements

GOVERNOR SHEEHAN CONFIRMED

Following his confirmation by the Senate on February 7, John E. Sheehan took the oath of office on February 8 as a member of the Board of Governors of the Federal Reserve System for the unexpired portion of a term ending January 31, 1982.

Governor Sheehan has served as a member of the Board since January 4 when he took the oath of office under a recess appointment announced by President Nixon on December 23. He succeeded William W. Sherrill who resigned effective November 15, 1971.

Prior to his appointment to the Board, Governor Sheehan had been president and chief executive officer of Corhart Refractories Company, a subsidiary of Corning Glass Works in Louisville, Kentucky. He was also a director of the Louisville Branch of the Federal Reserve Bank of St. Louis.

A native of Johnstown, Pennsylvania, Governor Sheehan was graduated from the U.S. Naval Academy in 1952 and from the Harvard Business School in 1960.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following official staff appointments and promotions, effective January 31, 1972:

Robert S. Plotkin appointed an Adviser in the Legal Division. Prior to joining the Board's staff in 1964, he had been associated with private law firms in New York and Washington, D.C., as well as with the Securities and Exchange Commission. Mr. Plotkin holds B.B.A. and L.L.B. degrees from City College of New York and Columbia University, respectively.

Paul Gardner, Jr., appointed Assistant General Counsel in the Legal Division. Prior to joining the Board's staff in 1970, Mr. Gardner had been engaged in the private practice of law in Philadelphia. He holds both A.B. and L.L.B. degrees from Harvard University.

Eleanor J. Stockwell appointed an Assistant Adviser in the Division of Research and Statistics. Miss Stockwell, a graduate of Vassar College, has held a number of increasingly responsible positions in the Division since join-

ing its staff in 1936, most recently as a Senior Economist specializing in corporate financial analysis.

Peter M. Keir and James L. Pierce promoted to Advisers and Joseph C. Zeisel promoted to Associate Adviser in the Division of Research and Statistics.

In addition, the Board has appointed Walter W. Kreimann as Deputy Director in the Division of Administrative Services, effective February 22, 1972. Prior to joining the Board's staff, Mr. Kreimann was with the U.S. Postal Service where he was responsible for the development and implementation of building and equipment maintenance policies and programs.

Mr. Kreimann holds a B.A. degree from Dakota Wesleyan University and has done graduate work at George Washington University.

GUIDELINES APPROVED FOR NEW CHECK-CLEARING SYSTEM

The Board of Governors on February 2, 1972, announced approval of guidelines to be used by the System throughout the Nation in establishing regional centers for overnight processing and settlement of checks.

It is expected that the new check-clearing system will result in the majority of the 62 million checks written daily by Americans being cleared and paid by the opening of business the day following deposit of a check.

The guidelines were issued in furtherance of a policy statement by the Board announced last June 17, calling—as a matter of urgency—for modernization of the Nation's check payments system.

The guidelines give basic directions to the Reserve Banks for the establishment, and operation, of Regional Check Processing Centers (RCPC's) in "communities whose trade, business and financial activities are substantially related" and where check volume warrants upgrading of check-handling facilities.

Most of the new clearing centers will be located at existing Federal Reserve offices: the 12 Federal Reserve Banks, their 24 branches, and one facility.

In operating as regional check-clearing facilities, in addition to their other functions, these Federal Reserve offices in 37 of the Nation's financial centers will expand the overnight check settlement arrangements they have had for some years with banks in the reserve cities.

New Federal Reserve regional clearing centers will be opened only in areas not reached by the centers in existing Federal Reserve offices where check volume and the absence of alternative facilities make additional Federal Reserve service essential.

The new system will make maximum use, consistent with improved service to the public, of check-processing centers operated by commercial banks. In such commercial bank processing centers, checks from a number of correspondent banks are sorted and otherwise made ready for clearance.

The new system is to become operative, region by region, as soon as practicable. Clearing regions may cross State or Federal Reserve district boundaries.

For individuals and businesses making and receiving payments by check, the new system will mean earlier receipt of funds due to them, and earlier payment of funds they are transferring to others. For example, most payroll checks—typically due to be paid by a local bank to a depositor in another nearby bank—will be cleared, and employees will have use of their pay, within a day after they deposit their paychecks. Similarly, a check written to pay a bill, or make a purchase, will be debited within a day after the check is deposited in a participating area bank. In all cases, the total time between the writing and collection of a check circulating within a clearing area will vary according to how long the check is held by the recipient before being deposited.

In its June 1971 policy statement dealing generally with modernization of the Nation's system for making financial payments, the Board said that a speedier, more efficient check handling and clearance system is urgent because the huge number of checks being put in use—some 23 billion checks, transferring about \$13 trillion dollars yearly—is expected to double by the end of this decade. For the same reasons, the Board said the improved check payments system it called for should be regarded as a transitional step toward replacing the use of checks with electronic transfer of funds.

Consequently, the guidelines specified that, generally, regional clearing centers should be pro-

vided with automated clearing and telecommunications capabilities to serve as the basis for transition to widespread checkless—electronic—fund transfers.

The guidelines approved by the Board were prepared by the Federal Reserve System Steering Committee on the Payments Mechanism, headed by Reserve Board Governor George W. Mitchell, in collaboration with the Conference of First Vice Presidents of the Reserve Banks. The Steering Committee issued a statement accompanying the guidelines, giving the background to its decisions. This emphasized integration into the system of services available from commercial banks. The Steering Committee likewise emphasized that operating arrangements at different clearing centers may vary sufficiently to accommodate—within the basic guidelines—the substantial differences that exist across the Nation in banking structure, population density, volume of check traffic, and differences in geography and topography that affect highway and other transportation facilities for the movement of checks.

Other members of the Steering Committee are Reserve Board Governors Sherman J. Maisel and John E. Sheehan (succeeding former Governor William W. Sherrill), Reserve Bank Presidents George H. Clay of Kansas City, Aubrey N. Heflin of Richmond, and Eliot J. Swan of San Francisco, and the First Vice Presidents of the Chicago and the New York Reserve Banks, Ernest T. Baughman and William F. Treiber.

The size of an area served by a clearing center will be determined chiefly by the distance that surface or air transport—where that is the more practical and economical means of check gathering and delivery—can travel to pick up during the afternoon the day's crop of checks deposited in participating banks, bring these to the clearing center for processing and settlement during the night, and deliver them early the next morning to banks against which checks deposited the day before were drawn.

Participation by banks in the new system will be on an entirely voluntary basis, but every effort will be made to secure the cooperation of all banks, whether or not they are members of the Federal Reserve System.

A clearing center will accept from participating banks in its clearing region all checks written on other participating banks in the region. It will also accept, from Federal Reserve member banks, checks drawn upon banks outside the region. U.S. Government checks, postal money orders, and

other items payable at a Federal Reserve office will be accepted from participating banks, wherever they originate.

CHANGES IN OTC MARGIN STOCKS

The Board of Governors announced several changes, effective Wednesday, February 2, 1972, in its "List of OTC Margin Stocks" that was issued in revised form on July 12, 1971. The list was first published on July 8, 1969.

One stock, National Patent Development Corporation, Class A, \$.01 par common, is added to the list and will be subject to the same 55 per cent margin requirement as other over-the-counter margin stocks.

Ten stocks are deleted from the list: Herff Jones Company, no par common; Horizon Corporation, \$.01 par common; Lynch Communication Systems Inc., \$1.00 par common; Mission Equities Corporation, no par common; Texfi Industries, Inc., \$1.00 par common; United Illuminating Company, The, no par common; Bankers National Life Insurance Company, \$2.00 par common; Eckrich, Peter & Sons, Inc., no par common; North American Life and Casualty Company, \$1.00 par common; United Convalescent Hospitals, Inc., \$1.00 par common.

Other changes are as follows: Beefland International, Inc., \$1.00 par common becomes American Beef Packers, Inc., \$1.00 par common; Bibb Manufacturing Company, \$12.50 par com-

mon is changed to Bibb Company, The, no par common; Brush Beryllium Company, The, \$1.00 par common now reads as Brush Wellman, Inc., \$1.00 par common; First National Holding Corporation, \$5.00 par common is renamed First Tennessee National Corporation, \$5.00 par common, Landa Industries, Inc., \$.10 par common becomes Surveyor Companies, Inc., \$.10 par common; and Northern Trust Company, The, \$20.00 par capital reads as Nortrust Corporation, \$20.00 par capital.

REVISION OF AGGREGATE RESERVES AND MEMBER BANK DEPOSITS SERIES

The member bank reserves and deposits series, Table A-18, have been revised for the period 1959 to date. Seasonal factors have been revised for all series. In addition, the seasonally adjusted reserve series have been revised to reflect actual reserve requirements, eliminating the adjustments for changes in reserve requirement percentages that were formerly incorporated in the series. The revision lowered the level of the aggregate reserve series from October 1970 to date, reflecting the actual percentage requirements that have been in effect since October 1, 1970.

Revised weekly and monthly data beginning with 1959 are available on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System 20551.

Announcements

CHANGES IN BOARD STAFF

Michael A. Greenspan was appointed an Assistant Secretary in the Office of the Secretary, effective March 6, 1972. Prior to joining the Board's staff in 1969, he had been associated with private law firms in New York and Washington, D.C. Mr. Greenspan holds a B.A. degree from Cornell University and a LL.B. degree from Columbia University.

Kenneth A. Kenyon, who had been Deputy Secretary in the Office of the Secretary, retired on February 29, 1972.

VFCR GUIDELINES AMENDED

The Board of Governors effective March 9, 1972, amended the Voluntary Foreign Credit Restraint (VFCR) Guidelines to prevent subsidiary banks in a holding company from consolidating a newly acquired lending ceiling with ceilings of other banks in the same holding company. Consolidation of ceilings, among holding company members, had been permissible if only one of the banks in question had a ceiling on November 11, 1971, when the Guidelines were last revised.

The modification is intended to safeguard the express intention of the Board to make ceilings available to banks that wanted to enter, and actively engage in, the foreign lending field. If ceilings designed to allow banks directly to develop a foreign lending business become available to banks already established in that business, their purpose would be lost, and their use could lead to an unintended expansion of aggregate foreign lending by U.S. banks.

Section II-D(3)(d) of the Guidelines announced November 11, 1971, will henceforth read as follows:

d. CONSOLIDATION OF CEILINGS OF BANK SUBSIDIARIES OF HOLDING COMPANIES. A bank subsidiary (including a bank, Edge Act Corporation, or Agreement Corporation) of a bank holding company may elect to consolidate its ceiling with that of one or more of the holding company's other bank subsidiaries only if each bank subsidiary involved in the contemplated consolidation had a ceiling under the previous Guidelines. Such election should be made known in advance to the respective Federal Reserve Banks. Ceilings adopted under the present Guidelines should not be consolidated. Ceilings that were consolidated before March 9, 1972, in conformity with the Guidelines may remain consolidated.

STATEMENT ON NONDISCRIMINATORY REAL ESTATE FINANCING: DEFERRED EFFECTIVE DATE

The Board of Governors has deferred from March 1 until May 1 the effective date of its statement directing State member banks to give public notice that their real estate financing is nondiscriminatory. The statement was published in the January BULLETIN, pp. 80-82.

The new date conforms with the effective date of regulations issued by the Department of Housing and Urban Development, which has the primary responsibility for enforcement of the Civil Rights Act of 1968. Some provisions of that Act—under which the Board issued its statement—are directed at the real estate lending activities of financial institutions.

The Board also announced that, prior to May 1, 1972, it will distribute free of charge to all State member banks the revised posters and advertising logotypes required by its statement.

Announcements

CHANGE IN BOARD STAFF

Charles L. Marinaccio has been appointed an Adviser in the Division of Supervision and Regulation effective April 3, 1972. A graduate with honors of the George Washington University Law School, Mr. Marinaccio was with the U.S. Department of Justice before joining the Board's staff in 1969.

RESIGNATION OF DIRECTOR

D. Ben Kleinpeter, who had served since January 1, 1970, as a Board-appointed director of the New Orleans Branch of the Federal Reserve Bank of Atlanta, resigned on April 1, 1972.

CRITERIA FOR OTC MARGIN STOCKS

The Board of Governors, on April 11, 1972, issued the criteria that over-the-counter (OTC) stocks must continue to meet in order to remain on its List of OTC Margin Stocks. The approximately 430 stocks now on the list are subject to margin requirements.

The Board's action, effective May 15, means that margin stocks failing to meet the criteria will be removed from the list and will not be subject to the Board's margin requirements.

Federal Reserve margin requirements set the minimum down payment that must be made to purchase margin securities. Under the present 55 per cent requirement, a purchaser is required to pay 55 per cent of the purchase price of a margin security and may obtain credit for the remaining 45 per cent.

Margin regulations apply to extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying stocks registered on a national stock exchange or named in the Board's List of OTC Margin Stocks. Stocks appearing on the list have not been approved, in any way, by the Board and representation by any person that their appearance on the list indicates approval by the Board or is based on approval by any Government agency is unlawful.

The criteria employed in selecting OTC stocks for inclusion on the list were announced on July 9, 1969. The delisting criteria are substantially the same as those proposed by the Board on February 28, 1972.

PUBLICATION OF ANNUAL REPORT

The Fifty-Eighth Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1971, is available for distribution. Copies may be obtained upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period March 16, 1972, through April 15, 1972:

Montana

MaltaFirst Security Bank of Malta

Announcements

CHANGES IN BOARD STAFF

The Board of Governors has appointed E. Maurice McWhirter as the Chief Federal Reserve Examiner to succeed Lloyd M. Schaeffer, who retired on May 1, 1972. Mr. McWhirter, the Assistant Chief Federal Reserve Examiner since December 1971, joined the Board's examining staff in November 1967. He holds a B.S. degree from Abilene Christian College and has done graduate study at Texas Technological College, Lubbock, Texas.

Additionally, the Board of Governors has announced the promotion of Pauline B. Heller from Adviser to Assistant General Counsel in the Legal Division, effective May 4, 1972.

APPOINTMENT OF DIRECTORS

The Board of Governors has appointed James C. Hendershot as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis, effective April 27, 1972, for the remainder of a 3-year term expiring December 31, 1974. Mr. Hendershot is president of Reliance Universal, Inc., in Louisville.

The Board has also appointed Edwin J. Caplan, of Alexandria, Louisiana, as a director of the New Orleans Branch of the Federal Reserve Bank of Atlanta, effective May 4, 1972, for the remainder of a 3-year term which expires December 31, 1972. Mr. Caplan is president of Caplan's Men's Shops, Inc. As a director of the New Orleans Branch, he succeeds D. Ben Kleinpeter, manager of Kleinpeter Farm Dairy, Baton Rouge, Louisiana, who resigned on April 1, 1972.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The following are summaries of recent interpretations of the Voluntary Foreign Credit Restraint (VFCR) guidelines that have been issued, under authority delegated to Governor Andrew F. Brimmer, to the Federal Reserve Banks. (For text of guidelines, see the BULLETIN for November 1971, pp. 906-16, and for March 1972, p. 321.)

Export Credit Exemption—Loan by Bank Without Ceiling

Guideline provision

Export credits to foreigners are exempted from restraint under the guidelines [II-B-1].

Interpretation

The exemption applies, not only to banks that are actively participating in the VFCR program by virtue of having ceilings, but also to banks that do not have ceilings. Therefore, a bank that has not adopted a ceiling may extend export credit regardless of the size of the credit.

Definition of Export Credit—Foreign Local Costs

Guideline provision

Export credit is defined, in part, as any claim on a foreigner for the demonstrable financing (a) of the export of U.S. goods or (b) the performance abroad of U.S. services [IV-3].

Interpretation

A U.S. bank credit to cover local costs incurred in a foreign country in connection with the sale of U.S. goods to that country (unless the costs are attributable to services performed by U.S.-domiciled or U.S.-incorporated companies or by U.S. nationals temporarily resident abroad) is not an export credit.

Definition of Export Credit—U.S. Storage

Guideline provision

An export credit finances the export of U.S. goods and the performance of U.S. services abroad [IV-3].

Interpretation

An acceptance credit extended by a U.S. bank to a foreign importer of U.S. merchandise should be treated as an export credit (a) only for the period subsequent to export shipment, or (b) if the merchandise is committed for export, from the time it enters a bonded warehouse in the United States. (The interpretation was made in connection with a transaction involving the domestic storage of tobacco destined ultimately for export and in light of prevailing practices in the tobacco trade.)

Foreign Borrowing Offset for Nonbank Financial Institutions

Guideline provision

"Covered" investments of nonbank financial institutions may be permitted to exceed the guideline ceiling to the extent that the funds for such investment are borrowed abroad for investment in the same country or in countries that are subject to the

same or more liberal guideline restraint [III-J-1]. An institution with a guideline ceiling of less than \$500,000 may hold covered assets up to this amount if its investments are consistent with guideline restraints other than its ceiling [III-J-2].

Interpretation

(1) All nonbank financial institutions, *regardless of whether they have ceilings* under the guidelines, and subject to limitations noted later, may offset covered foreign assets by borrowings abroad [Sections J-1 and 2]. The \$500,000 allowance (minimum ceiling) for institutions with no ceilings or small ceilings is subject to the same limitations as are the larger ceilings of other institutions.

(2) There is *no absolute limit on the amount* of foreign assets that may be acquired by a nonbank financial institution, regardless of whether it has a ceiling. In particular, it is not limited either by its ceiling (or lack thereof) or by the \$500,000 minimum specified in Section J if it takes advantage of the foreign borrowing offset provision.

(3) The *geographical limitations*—namely, the special restraints on investing in the developed countries of continental Western Europe or the less-severe restraints on investing in other developed countries—may be overridden by borrowing funds in those foreign countries that are subject, under the guidelines, to restraints equal to, or more intense than, the restraints that are applied to the country in which the investment is being made. To illustrate, a nonbank financial institution with or without a ceiling may acquire a covered asset (but see item 5 that follows): (a) in Germany if it borrows at least the amount of the investment from residents of that country or of other developed countries of continental Western Europe; or (b) in Japan if it borrows at least the amount of the investment from residents of the developed countries of continental Western Europe or residents of other developed countries; or (c) in Bolivia if it borrows at least the amount of the investment from (i) residents of the developed countries of continental Western Europe, or (ii) residents of other developed countries, or (iii) residents of other developing countries.

(4) The foreign borrowings used to offset covered foreign assets need not be of any particular minimum *maturity*. They may be long-term, or they may be short-term with repeated renewals. However, there must be foreign borrowings *out-*

standing for as long as (and to the extent that) covered foreign assets would otherwise be held in excess of a ceiling.

(5) A nonbank financial institution is *not to hold liquid funds abroad*, except minimum working balances [Section III-B-2], or to take *other actions that would be inconsistent with other aspects* of the balance of payments program [Section III-B-5], regardless of whether it has borrowed funds abroad.

MARGIN REQUIREMENTS FOR OTC STOCKS

The Board of Governors has published a revised list of 470 over-the-counter (OTC) stocks that are subject to its margin regulations as of May 15, 1972. The list supersedes the revised OTC margin stock list that was issued on July 12, 1971. (See July 1971 BULLETIN, pp. 628–36.)

INTEREST RATES ON LOANS TO BUSINESSES, FARMERS, AND CONSUMERS

Monthly data indicating the level of interest rates charged by banks on small loans to businesses and on loans to farmers and consumers are now being published regularly in the Board's statistical release G.10. The statistics, which were gathered at the request of the Committee on Interest and Dividends, were compiled from survey forms submitted by 295 commercial bank members of the Federal Reserve System and by 75 nonmember banks supervised by the Federal Deposit Insurance Corporation.

Statistical release G.10 covering such data may be obtained on a monthly basis by contacting Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period April 16, 1972, through May 15, 1972:

Illinois

ChicagoSouth Side Bank

Montana

Laurel1st Security Bank of Laurel

California

Beverly HillsBeverly Hills Fidelity Bank

LIST OF OTC MARGIN STOCKS¹
(as of May 5, 1972)

<p> AIMS, INC. \$.10 par common AVM CORPORATION \$1.00 par common ACUSHNET COMPANY Common ADDISON-WESLEY PUBLISHING COMPANY, INC. Class B, no par common ADVANCE ROSS CORPORATION \$.10 par common ALEXANDER & ALEXANDER, INC. No par common ALEXANDER & BALDWIN, INC. No par common ALLEGHENY BEVERAGE CORPORATION \$1.00 par common ALLIED TELEPHONE COMPANY \$2.00 par common ALLYN AND BACON, INC. \$.50 par common ALPEX COMPUTER CORPORATION \$.10 par common ALPHANUMERIC, INC. \$.03½ par common ALPINE GEOPHYSICAL ASSOCIATES, INC. \$.10 par common AMAREX, INC. \$1.00 par common AMERICAN BEEF PACKERS, INC. \$1.00 par common AMERICAN BIOCULTURE, INC. \$.02 par common AMERICAN ELECTRONIC LABORATORIES, INC. Class A, \$1.00 par common AMERICAN EXPRESS COMPANY \$1.66-2/3 par common \$1.50 convertible preferred AMERICAN FINANCIAL CORPORATION No par common AMERICAN FURNITURE COMPANY, INC. \$1.00 par common AMERICAN GREETINGS CORPORATION Class A, \$1.00 par common AMERICAN MICRO-SYSTEMS, INC. \$1.00 par common </p>	<p> AMERICAN NUCLEAR CORPORATION \$.04 par common AMERICAN TELEVISION and COMMUNICATIONS CORPORATION \$.75 par common AMERICAN WELDING & MANUFACTURING COMPANY, THE No par common ANADITE, INC. No par common ANHEUSER-BUSCH, INC. \$1.00 par common ANIXTER BROTHERS, INC. \$1.00 par common APPLEBAUMS' FOOD MARKETS, INC. \$1.00 par common ARDEN-MAYFAIR, INC. \$1.00 par common ARKANSAS-MISSOURI POWER COMPANY \$2.50 par common ARKANSAS WESTERN GAS COMPANY \$2.50 par common ARROW-HART, INC. \$10.00 par common ARVIDA CORPORATION \$1.00 par common ASSOCIATED COCA-COLA BOTTLING COMPANY, INC. \$.50 par common ASSOCIATED TRUCK LINES, INC. Class A, \$3.00 par common ATLANTA GAS LIGHT COMPANY \$5.00 par common BAIRD-ATOMIC, INC. \$1.00 par common BANDAG, INC. \$1.00 par common BANGOR HYDRO-ELECTRIC COMPANY \$5.00 par common BANK BUILDING & EQUIPMENT CORPORATION of AMERICA \$1.33½ par common BARBER-GREENE COMPANY \$5.00 par common BARDEN CORPORATION, THE \$1.00 par common BARNES-HIND PHARMACEUTICALS, INC. No par common BASSETT FURNITURE INDUSTRIES, INC. \$5.00 par common </p>
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¹Stocks appearing on the list have not been approved, in any way, by the Board and representation by any person that their appearance on the list indicates approval by the Board or is based on approval by any government agency is unlawful.

BEELINE FASHIONS, INC. No par common	CLOW CORPORATION \$6.25 par common
BETZ LABORATORIES, INC. \$.10 par common	COCA-COLA BOTTLING COMPANY OF LOS ANGELES No par common
BIBB COMPANY, THE No par common	COGAR CORPORATION \$.60 par common
BLACK HILLS POWER AND LIGHT COMPANY \$1.00 par common	COGNITRONICS CORPORATION \$.20 par common
BONANZA INTERNATIONAL, INC. No par common	COMMONWEALTH TELEPHONE COMPANY \$6.66 $\frac{2}{3}$ par common
BOOZ, ALLEN & HAMILTON, INC. \$.25 par common	COMPUTER COMMUNICATIONS, INC. \$1.00 par common
BRENCO, INC. \$1.00 par common	COMPUTER USAGE COMPANY \$.25 par common
BRUSH WELLMAN INC. \$1.00 par common	COMRESS, INC. \$.05 par common
BUCKBEE MEARS COMPANY \$.10 par common	CONAGRA, INC. \$5.00 par common
BUCKEYE INTERNATIONAL, INC. No par common, \$5.00 stated value	CONTRAN CORPORATION \$1.00 par common
BURNUP & SIMS INC. \$.10 par common	CORNELIUS COMPANY, THE \$.20 par common
BUTLER MANUFACTURING COMPANY No par common	COUSINS PROPERTIES INC. \$1.00 par common
CAMPBELL TAGGART, INC. \$1.00 par common	CROSS COMPANY, THE \$5.00 par common
CAROLINA CARIBBEAN CORPORATION \$.83 $\frac{1}{3}$ par common	CRUTCHER RESOURCES CORPORATION \$1.00 par common
CASCADE NATURAL GAS CORPORATION \$1.00 par common	CYPRESS COMMUNICATIONS CORPORATION \$1.00 par common
CAVANAGH COMMUNITIES CORPORATION \$.01 par common	DAMSON OIL CORPORATION \$.40 par common
CENTRAL VERMONT PUBLIC SERVICE CORPORATION \$6.00 par common	DANIEL INTERNATIONAL CORPORATION \$2.00 par common
CHANCE, A. B. COMPANY \$2.50 par common	DART DRUG CORPORATION Class A, \$1.00 par common
CHEMICAL LEAMAN TANK LINES, INC. \$2.50 par common	DASA CORPORATION \$1.00 par common
CHESAPEAKE INSTRUMENT CORPORATION \$1.00 par common	DATA GENERAL CORPORATION \$.01 par common
CHICAGO BRIDGE & IRON COMPANY \$6.66 $\frac{2}{3}$ par common	DATA PACKAGING CORPORATION \$.10 par common
CHURCH'S FRIED CHICKEN, INC. \$.16 $\frac{2}{3}$ par common	DECORATOR INDUSTRIES, INC. No par common
CITIZENS UTILITIES COMPANY Series A, \$1.00 par common Series B, \$1.00 par common	DEKALB AGRESEARCH, INC. Class B, no par common
CLARK, J. L. MANUFACTURING COMPANY \$1.00 par common	DELHI INTERNATIONAL OIL CORPORATION \$.10 par common
CLEVEPAK CORPORATION \$1.00 par common	DELUXE CHECK PRINTERS, INC. \$1.00 par common
CLINTON OIL COMPANY \$.03 par common	DETREX CHEMICAL INDUSTRIES, INC. \$2.00 par common

DIAMOND CRYSTAL SALT COMPANY	FOTOMAT CORPORATION
\$2.50 par common	\$.10 par common
DISC INC.	FRIENDLY ICE CREAM CORPORATION
\$1.00 par common	\$1.00 par common
DONALDSON COMPANY, INC.	FRIGITRONICS, INC.
\$5.00 par common	\$.10 par common
DORCHESTER GAS CORPORATION	GRT CORPORATION
\$.10 par common	No par common
DOW JONES & COMPANY, INC.	GARFINCKEL, BROOKS BROTHERS,
\$1.00 par common	MILLER & RHOADS, INC.
DOWNE COMMUNICATIONS, INC.	\$.50 par common
\$1.00 par common	GATES LEARJET CORPORATION
DOWNTOWNER CORPORATION, THE	\$1.00 par common
\$1.00 par common	GELMAN INSTRUMENT COMPANY
DOYLE DANE BERNBACH INC.	\$.10 par common
\$.50 par common	GENERAL AIRCRAFT CORPORATION
DUNKIN' DONUTS INC	\$1.00 par common
\$1.00 par common	GENERAL HEALTH SERVICES, INC.
DURIRON COMPANY, INC., THE	\$1.00 par common
\$1.25 par common	GENERAL UNITED GROUP, INC.
ECONOMICS LABORATORY, INC.	\$.25 par common
Common	GIFFEN INDUSTRIES, INC.
EDUCATIONAL DEVELOPMENT CORPORATION	\$1.00 par common
\$.20 par common	GILFORD INSTRUMENT LABORATORIES INC.
EL PASO ELECTRIC COMPANY	No par common
No par common	GLEASON WORKS
ELBA SYSTEMS CORPORATION	Common
No par common	GOLDEN CYCLE CORPORATION, THE
ELECTRO-NUCLEONICS, INC.	No par common
\$.02½ par common	GRAHAM MAGNETICS INC.
ENERGY CONVERSION DEVICES, INC.	\$.10 par common
\$.01 par common	GRAPHIC CONTROLS CORPORATION
ENERGY RESOURCES CORPORATION	\$1.00 par common
\$1.00 par common	GRAPHIC SCIENCES, INC.
EQUITY OIL COMPANY	\$.50 par common
\$1.00 par common	GREAT SOUTHWEST CORPORATION
ERIE TECHNOLOGICAL PRODUCTS, INC.	\$.10 par common
\$2.50 par common	GREEN MOUNTAIN POWER CORPORATION
FABRI-TEK INC.	\$3.33⅓ par common
\$.10 par common	GREY ADVERTISING INC.
FAIR LANES, INC.	\$1.00 par common
\$1.00 par common	GYRODYNE COMPANY OF AMERICA, INC.
FIRST WESTERN FINANCIAL CORPORATION	\$1.00 par common
\$1.00 par common	HARDEE'S FOOD SYSTEMS, INC.
FLICKINGER, S. M. COMPANY, INC.	No par common
\$2.50 par common	HAVATAMPA CIGAR CORPORATION
FLORIDA TELEPHONE CORPORATION	\$7.50 par common
\$2.50 par common	HAVEN INDUSTRIES, INC.
FOOD FAIR PROPERTIES, INC.	\$.01 par common
\$.01 par common	HAWTHORNE FINANCIAL CORPORATION
FOREST OIL CORPORATION	\$1.00 par capital
\$1.00 par common	HEATH TECNA CORPORATION
FOSTER GRANT COMPANY, INC.	No par common
Common	

HEXCEL CORPORATION	KELLY SERVICES, INC.
\$1.00 par common	\$1.00 par common
HOOVER COMPANY, THE	KEYES FIBRE COMPANY
\$2.50 par common	\$1.00 par common
HUGHES SUPPLY, INC.	KEYSTONE CUSTODIAN FUNDS, INC.
\$2.00 par common	Class A, non-voting
HYATT CORPORATION	no par common
\$.50 par common	KING RESOURCES COMPANY
HYSTER COMPANY	\$1.00 par common
\$.50 par common	KNAPE & VOGT MANUFACTURING COMPANY
ISI CORPORATION	\$2.00 par common
No par common	KUHLMAN CORPORATION
IMPERIAL INDUSTRIES, INC.	\$1.00 par common
\$.10 par common	LADD PETROLEUM CORPORATION
INDIANAPOLIS WATER COMPANY	\$.10 par common
\$7.50 par common	LANCE, INC.
INDUSTRIAL NUCLEONICS CORPORATION	\$2.50 par common
No par common	LEE WAY MOTOR FREIGHT, INC.
INFORMATICS, INC.	\$1.00 par common
\$.10 par common	LEHIGH COAL AND NAVIGATION
INLAND CONTAINER CORPORATION	COMPANY, THE
Class A, no par common	\$1.00 par common
INTERNATIONAL BANK (Washington, D.C.)	LEISURE GROUP, INC., THE
Class A, \$1.00 par common	No par common
INTERNATIONAL TEXTBOOK COMPANY	LIBERTY HOMES, INC.
(INTEXT)	\$1.00 par common
No par common	LIN BROADCASTING CORPORATION
INTERWAY CORPORATION	\$2.00 par common
\$1.00 par common	LOWE'S COMPANIES, INC.
IONICS, INC.	\$.50 par common
\$1.00 par common	MADISON GAS AND ELECTRIC COMPANY
IOWA SOUTHERN UTILITIES COMPANY	\$8.00 par common
\$10.00 par common	MAJOR REALTY CORPORATION
JAMESBURY CORPORATION	\$.01 par common
\$1.00 par common	MALLINCKRODT CHEMICAL WORKS
JOSLYN MANUFACTURING AND SUPPLY	Class A, non-voting,
COMPANY	\$3.33⅓ par common
\$1.25 par common	MANAGEMENT ASSISTANCE INC.
KDI CORPORATION	\$.10 par common
\$.35 par common	MAUI LAND & PINEAPPLE COMPANY, INC.
KMS INDUSTRIES, INC.	No par common
\$.01 par common	MEDIC-HOME ENTERPRISES INC.
KAISER STEEL CORPORATION	\$.10 par common
\$.66⅔ par common	MEDICENTERS OF AMERICA, INC.
KALVAR CORPORATION	\$1.00 par common
\$.02 par capital	MEDTRONIC, INC.
KAMAN CORPORATION	\$.10 par common
Class A, \$1.00 par common	MILLIPORE CORPORATION
KEARNEY & TRECKER CORPORATION	\$.33⅓ par common
\$2.00 par common	MINNESOTA FABRICS, INC.
KEENE CORPORATION	\$.05 par common
\$.10 par common	MOGUL CORPORATION, THE
KELLWOOD COMPANY	No par common
No par common	

MONTEREY LIFE SYSTEMS, INC. \$.10 par common	PABST BREWING COMPANY No par common
MOORE, SAMUEL AND COMPANY No par common	PACIFIC RESOURCES, INC. No par common
MORRISON-KNUDSEN COMPANY, INC. \$10.00 par common	PALO ALTO-SALINAS SAVINGS AND LOAN ASSOCIATION No par capital
MOTOR CLUB OF AMERICA \$.50 par common	PAN OCEAN OIL CORPORATION \$.01 par common
NATIONAL LIBERTY CORPORATION \$1.00 par common	PARKER DRILLING COMPANY \$1.00 par common
NATIONAL PATENT DEVELOPMENT CORPORATION Class A, \$.01 par common	PARKVIEW-GEM, INC. \$1.00 par common
NATIONAL STUDENT MARKETING CORPORATION \$1.00 par common	PAULEY PETROLEUM INC. \$1.00 par common
NEW ENGLAND GAS AND ELECTRIC ASSOCIATION \$4.00 par common	PAVELLE CORPORATION, THE \$.10 par common
NEW JERSEY NATURAL GAS COMPANY \$5.00 par common	PAY'N SAVE CORPORATION No par common
NICHOLSON FILE COMPANY \$1.00 par common	PENNSYLVANIA GAS AND WATER COMPANY No par common, \$10.00 stated value
NIELSEN, A. C. COMPANY Class A, \$1.00 par common Class B, \$1.00 par common	PETERSON HOWELL & HEATHER, INC. No par common
NORTH CAROLINA NATURAL GAS CORPORATION \$2.50 par common	PETTIBONE CORPORATION \$10.00 par common
NORTH CENTRAL AIRLINES, INC. \$.20 par common	PHOTON, INC. \$1.00 par common
NORTHWEST NATURAL GAS COMPANY \$3.00% par common	PIEDMONT AVIATION, INC. \$1.00 par common
NORTHWESTERN PUBLIC SERVICE COMPANY \$7.00 par common	PIZZA HUT, INC. \$.01 par common
NOXELL CORPORATION Class B, non-voting \$1.00 par common	POPE & TALBOT, INC. \$2.00 par common
OCEAN DRILLING & EXPLORATION COMPANY \$.50 par common	POPEIL BROTHERS, INC. \$.40 par common
OHIO ART CORPORATION, THE \$1.00 par common	PROFESSIONAL GOLF COMPANY \$.50 par common
OIL SHALE CORPORATION, THE \$.15 par common	PROGRESSIVE CORPORATION, THE \$1.00 par common
OMEGA-ALPHA, INC. \$1.00 par common	PUBLIC SERVICE COMPANY OF NEW MEXICO \$5.00 par common
ORMONT DRUG & CHEMICAL COMPANY, INC. \$.10 par common	PUBLIC SERVICE COMPANY OF NORTH CAROLINA, INC. \$1.00 par common
OTTER TAIL POWER COMPANY \$5.00 par common	PUBLISHERS COMPANY, INC. \$.40 par common
OVERSEAS NATIONAL AIRWAYS, INC. \$1.00 par common	QUALITY COURTS MOTELS, INC. \$1.00 par common
OZITE CORPORATION \$1.00 par common	RAYCHEM CORPORATION No par common
PVO INTERNATIONAL INC. \$5.00 par common	RAYGO, INC. \$.05 par common

RECOGNITION EQUIPMENT INC. \$.25 par common	SOUTHLAND CORPORATION, THE \$.01 par common
REECE CORPORATION, THE \$1.00 par common	SOUTHWEST GAS CORPORATION \$1.00 par common
REGENCY ELECTRONICS, INC. No par common	SOUTHWEST GAS PRODUCING COMPANY, INC. \$1.00 par common
REID-PROVIDENT LABORATORIES, INC. \$1.00 par common	SOVERIGN INDUSTRIES, INC. \$.04 par common
REYNOLDS & REYNOLDS COMPANY, THE Class A, \$2.50 par common	SPANG INDUSTRIES, INC. \$1.00 par common
RIVAL MANUFACTURING COMPANY Common	STANDARD REGISTER COMPANY, THE \$.50 par common
ROADWAY EXPRESS, INC. No par common	STIRLING HOMEX CORPORATION \$.01 par common
ROUSE COMPANY, THE \$.01 par common	SUBSCRIPTION TELEVISION, INC. \$.10 par common
RUSSELL STOVER CANDIES, INC. \$1.00 par common	SUGARDALE FOODS, INC. No par common
SAGA ADMINISTRATIVE CORPORATION \$1.00 par common	SUPERIOR ELECTRIC COMPANY, THE \$1.00 par common
SAMSONITE CORPORATION No par common	SYNERCON CORPORATION \$1.00 par common
SAUL, B. F. REAL ESTATE INVESTMENT TRUST Shares of Beneficial Interest (\$10.00 par value)	TDA INDUSTRIES, INC. \$.10 par common
SCIENTIFIC CONTROL CORPORATION \$.20 par common	T.I.M.E.-DC, INC. \$2.00 par common
SCOPE INC. \$1.00 par common	TALLY CORPORATION \$.16 $\frac{2}{3}$ par common
SCRIPTO, INC. \$.50 par common	TAMPAX INC. \$1.00 par common
SEA WORLD, INC. \$.50 par common	TASSAWAY, INC. Class A, \$.10 par common
SEISMIC COMPUTING CORPORATION \$.10 par common	TAYLOR WINE COMPANY, INC., THE \$2.00 par common
SENSORMATIC ELECTRONICS CORPORATION \$.01 par common	TELECOR, INC. \$.50 par common
SEVEN-UP COMPANY, THE \$1.00 par common	TELECREDIT, INC. \$.01 par common
SHAREHOLDERS CAPITAL CORPORATION \$.50 par common	TEXAS AMERICAN OIL CORPORATION \$.10 par common
SHOP RITE FOODS, INC. \$3.33 $\frac{1}{3}$ par common	TEXAS INTERNATIONAL AIRLINES, INC. \$2.00 par common
SIMON & SCHUSTER, INC. \$.50 par common	TIFFANY & COMPANY \$1.00 par common
SMITHFIELD FOODS, INC. \$1.00 par common	TITAN GROUP, INC. \$1.00 par common
SMITH'S TRANSFER CORPORATION \$2.50 par common	TRACOR, INC. Common
SOUTHERN INDUSTRIES CORPORATION No par common	TRANSCONTINENTAL GAS PIPE LINE CORPORATION \$.50 par common
SOUTHERN NEW ENGLAND TELEPHONE COMPANY, THE \$25.00 par common	TRANSOCEAN OIL, INC. \$1.00 par common
	TRICO PRODUCTS CORPORATION No par common

TRINITY INDUSTRIES, INC. \$1.00 par common	BANCO CREDITO Y AHORRO PONCENO \$5.00 par common
TYSON FOODS, INC. Common	BANKAMERICA CORPORATION \$6.25 par common
UNITED STATES BANKNOTE CORPORATION \$1.00 par common	BARNETT BANKS OF FLORIDA, INC. \$2.00 par common
VOLUME SHOE CORPORATION \$.50 par common	BAYSTATE CORPORATION \$7.50 par common
WAGNER MINING EQUIPMENT, INC. \$.10 par common	CP FINANCIAL CORPORATION \$1.00 par common
WARNER ELECTRIC BRAKE & CLUTCH COMPANY \$1.00 par common	CITIZENS AND SOUTHERN NATIONAL BANK, THE (Georgia) \$5.00 par common
WASHINGTON NATURAL GAS COMPANY \$5.00 par common	CLEVELAND TRUST COMPANY, THE \$20.00 par capital
WEBB RESOURCES, INC. \$.10 par common	COMMERCIAL TRUST COMPANY OF NEW JERSEY \$5.00 par capital
WEEDEN & COMPANY No par common	CONTINENTAL BANK (Pennsylvania) \$5.00 par common
WELLINGTON MANAGEMENT COMPANY Class A, \$.10 par common	DETROIT BANK AND TRUST COMPANY, THE \$10.00 par common
WESTERN GEAR CORPORATION \$1.00 par common	FIDELITY CORPORATION OF PENNSYLVANIA \$1.00 par common
WESTERN PUBLISHING COMPANY, INC. \$1.00 par common, \$2.50 stated value	FIRST & MERCHANTS CORPORATION (Virginia) \$10.00 par common
WESTGATE-CALIFORNIA CORPORATION Class A, \$5.00 par common	FIRST BANK SYSTEM, INC. \$2.50 par capital
WESTMORELAND COAL COMPANY \$5.00 par common	FIRST CITY BANCORPORATION OF TEXAS, INC. \$10.00 par common
WETTERAU FOODS, INC. \$1.00 par common	FIRST EMPIRE STATE CORPORATION \$5.00 par common
WHITE SHIELD CORPORATION \$.05 par common	FIRST FLORIDA BANCORPORATION \$1.00 par common
WINTER PARK TELEPHONE COMPANY, THE \$2.50 par common	FIRST JERSEY NATIONAL CORPORATION \$5.00 par common
WISCONSIN POWER AND LIGHT COMPANY \$5.00 par common	FIRST MERCHANTS NATIONAL BANK (New Jersey) \$2.50 par common
WOLVERINE-PENTRONIX, INC. \$1.00 par common	FIRST NATIONAL BANK IN DALLAS \$10.00 par capital
WOODWARD & LOTHROP INC. \$10.00 par common	FIRST NATIONAL BANK OF MARYLAND, THE \$5.00 par capital
YELLOW FREIGHT SYSTEM, INC. \$1.00 par common	FIRST PENNSYLVANIA CORPORATION \$1.00 par common
YOUNKER BROTHERS, INC. No par common	FIRST TENNESSEE NATIONAL CORPORATION \$5.00 par common
ZIONS UTAH BANCORPORATION Common	FIRST UNION, INC. \$10.00 par common
	FIRST UNION NATIONAL BANCORP, INC. \$5.00 par capital
	FRANKLIN NEW YORK CORPORATION Common Convertible preferred
	GIRARD COMPANY, THE \$1.00 par common
BANK STOCKS	
AMERICAN SAVINGS & LOAN ASSOCIATION \$.33½ par permanent reserve guarantee stock	
AMERICAN SECURITY AND TRUST COMPANY \$3.33½ par capital	

HARRIS BANKCORP, INC. \$16.00 par common	TRUST COMPANY OF NEW JERSEY, THE \$2.50 par common
HAWAII BANCORPORATION \$1.00 par common	UNITED BANCSHARES OF FLORIDA, INC. \$1.00 par common
LINCOLN FIRST BANKS, INC. \$10.00 par common	UNITED BANKS OF COLORADO, INC. \$5.00 par common
LONG ISLAND TRUST COMPANY \$5.00 par common	UNITED STATES TRUST COMPANY OF NEW YORK \$5.00 par capital
MANUFACTURERS NATIONAL BANK OF DETROIT \$10.00 par common	UNITED VIRGINIA BANKSHARES INC. \$10.00 par common
MARYLAND NATIONAL CORPORATION \$5.00 par common	VALLEY NATIONAL BANK OF ARIZONA, THE \$2.50 par common
MELLON NATIONAL BANK AND TRUST COMPANY Common	VIRGINIA NATIONAL BANK \$5.00 par common
MIDLANTIC BANKS, INC. \$10.00 par common	
MONMOUTH COUNTY NATIONAL BANK \$1.00 par common-capital	INSURANCE STOCKS
NCNB CORPORATION \$5.00 par common	AMERICAN BANKERS INSURANCE COMPANY OF FLORIDA \$2.50 par common
NATIONAL BANK OF DETROIT \$12.50 par common	AMERICAN BANKERS LIFE ASSURANCE COMPANY OF FLORIDA Common
NATIONAL CITY BANK OF CLEVELAND, THE \$8.00 par common	AMERICAN FAMILY LIFE ASSURANCE COMPANY OF COLUMBUS \$1.00 par common
NEW ENGLAND MERCHANTS COMPANY, INC. \$5.00 par common	AMERICAN FIDELITY LIFE INSURANCE COMPANY \$1.00 par common
NEW JERSEY NATIONAL CORPORATION \$5.00 par common	AMERICAN HERITAGE LIFE INVESTMENT CORPORATION \$1.00 par common
NORTRUST CORPORATION \$20.00 par capital	AMERICAN INTERNATIONAL GROUP, INC. \$5.00 par common
PNB CORPORATION \$1.00 par common	AMERICAN NATIONAL FINANCIAL CORPORATION \$1.00 par common
PITTSBURGH NATIONAL CORPORATION \$5.00 par common	AMERICAN RE-INSURANCE COMPANY \$3.00 par capital
PROVIDENT NATIONAL CORPORATION \$1.00 par common	BMA CORPORATION \$2.00 par common
REPUBLIC NATIONAL BANK OF DALLAS \$6.00 par common-capital	BANKERS SECURITY LIFE INSURANCE SOCIETY \$1.00 par common
RIGGS NATIONAL BANK OF WASHINGTON, D.C., THE \$10.00 par common	BENEFICIAL STANDARD CORPORATION Class A, \$1.00 par common
SEATTLE-FIRST NATIONAL BANK \$10.00 par common	CALIFORNIA-WESTERN STATES LIFE INSURANCE COMPANY \$2.50 par common-capital
SECURITY NATIONAL BANK (Huntington, New York) \$5.00 par common	CHUBB CORPORATION, THE \$1.00 par common
SECURITY PACIFIC NATIONAL BANK \$10.00 par common	COASTAL STATES LIFE INSURANCE COMPANY, THE Common
SHAWMUT ASSOCIATION, INC. \$5.00 par common	COLLEGE/UNIVERSITY CORPORATION No par common
SOUTHEAST BANKING CORPORATION \$5.00 par common	
STATE STREET BOSTON FINANCIAL CORPORATION \$10.00 par common	

COLONIAL LIFE & ACCIDENT INSURANCE COMPANY	INDEPENDENT LIFE & ACCIDENT INSURANCE COMPANY, THE
Class B, non-voting, \$1.00 par common	Non-voting, \$1.00 par common
COLONIAL PENN GROUP, INC.	INTEGON CORPORATION
\$1.0 par common	\$1.00 par common
COMBINED INSURANCE COMPANY OF AMERICA	INTERFINANCIAL INC.
\$1.00 par common	\$1.00 par common
CONNECTICUT GENERAL INSURANCE CORPORATION	INTERSTATE CORPORATION, THE
\$2.50 par common	\$1.00 par common
CRUM & FORSTER	KEMPERCO, INC.
\$1.25 par common	\$5.00 par common
ERC CORPORATION	KENTUCKY CENTRAL LIFE INSURANCE COMPANY
\$2.50 par common	Class A, non-voting, \$1.00 par common
EMPIRE GENERAL CORPORATION	LIBERTY NATIONAL LIFE INSURANCE COMPANY
\$1.00 par common	\$2.00 par common-capital
EMPIRE LIFE INSURANCE COMPANY OF AMERICA	LIFE INVESTORS INC.
Class A, \$1.00 par common	\$1.00 par common
FAMILY LIFE INSURANCE COMPANY	LOUISIANA AND SOUTHERN LIFE INSURANCE COMPANY
Class A, non-voting, \$1.00 par common	\$1.00 par common
FARMERS NEW WORLD LIFE INSURANCE COMPANY	MIDWESTERN UNITED LIFE INSURANCE COMPANY
\$1.00 par common	\$1.00 par common
FIDELITY CORPORATION (Virginia)	MONARCH CAPITAL CORPORATION
\$1.00 par common	\$1.00 par common
FIDELITY UNION LIFE INSURANCE COMPANY	MONUMENTAL CORPORATION
\$1.00 par common	\$5.00 par common
FOUNDERS FINANCIAL CORPORATION	MUTUAL SAVINGS LIFE INSURANCE COMPANY
\$1.00 par common	\$1.00 par common
FRANKLIN LIFE INSURANCE COMPANY, THE	NLT CORPORATION
\$2.00 par common	\$5.00 par common
GEORGE WASHINGTON CORPORATION	NN CORPORATION
\$1.00 par common	\$5.00 par common
GEORGIA INTERNATIONAL CORPORATION	NATIONAL LIFE OF FLORIDA CORPORATION
\$1.00 par common	\$1.00 par common
GLOBE LIFE AND ACCIDENT INSURANCE COMPANY	NATIONAL OLD LINE INSURANCE COMPANY
\$1.00 par common	Class BB, non-voting, \$1.00 par common
GOVERNMENT EMPLOYEES INSURANCE COMPANY	NATIONAL WESTERN LIFE INSURANCE COMPANY
\$4.00 par common	Class A, common
GOVERNMENT EMPLOYEES LIFE INSURANCE COMPANY	NATIONWIDE CORPORATION
\$1.50 par common	Class A, \$2.50 par common
GREAT COMMONWEALTH LIFE INSURANCE COMPANY	NORTHWESTERN NATIONAL LIFE INSURANCE COMPANY
\$1.00 par common	\$1.25 par common
HAMILTON INTERNATIONAL CORPORATION	OHIO CASUALTY CORPORATION
Class A, \$1.00 par common	\$1.00 par common
HANOVER INSURANCE COMPANY, THE	OLD LINE LIFE INSURANCE COMPANY OF AMERICA, THE
\$10.00 par capital	\$1.33⅓ par common
HORACE MANN EDUCATORS CORPORATION	PEERLESS INSURANCE COMPANY
\$1.00 par common	\$2.50 par common
	PENNSYLVANIA LIFE COMPANY
	\$.66⅔ par common

PHILADELPHIA LIFE INSURANCE COMPANY	SECURITY LIFE AND ACCIDENT COMPANY
\$1.00 par common	Series A, \$2.00 par common
PROVIDENT LIFE & ACCIDENT INSURANCE	SOUTHWESTERN LIFE INSURANCE COMPANY
COMPANY	\$2.50 par capital
Common	UNICOA CORPORATION
PROVIDENT LIFE INSURANCE COMPANY	\$2.50 par common
\$2.50 par common	UNION FIDELITY CORPORATION
REPUBLIC NATIONAL LIFE INSURANCE COMPANY	\$.10 par common
\$1.00 par common	UNITED FOUNDERS LIFE INSURANCE COMPANY
RICHMOND CORPORATION	\$.25 par common
Common	UNITED SERVICES LIFE INSURANCE COMPANY
SAFECO CORPORATION	\$1.00 par common
\$5.00 par common	VARIABLE ANNUITY LIFE INSURANCE COMPANY,
ST. PAUL COMPANIES, INC., THE	THE
\$3.00 per common	\$1.00 par common
SECURITY CORPORATION, THE	WASHINGTON NATIONAL CORPORATION
\$10.00 par common	\$5.00 par common

Announcements

APPOINTMENT OF MR. BUCHER AS A MEMBER OF THE BOARD OF GOVERNORS

On April 27, 1972, the President announced his intention to appoint Jeffrey M. Bucher as a member of the Board of Governors of the Federal Reserve System. Mr. Bucher's appointment was subsequently confirmed by the Senate on May 30 and he took the oath of office, administered by Chairman Burns in the Board's building, on June 5.

The text of the White House announcement follows:

The President on April 27, 1972, announced his intention to nominate Jeffrey M. Bucher, of Los Angeles, California, to be a member of the Board of Governors of the Federal Reserve System for a term of 14 years beginning February 1, 1972. He succeeds Sherman J. Maisel whose term expired January 31, 1972.

Mr. Bucher has served with the United California Bank in Los Angeles since 1957, except for the period from 1959 to 1961 when he was an Associate with the firm of Stephens, Jones, LaFever and Smith. He is currently Senior Vice President in charge of the Trust and Investment Division at the United California Bank, a position he has held since 1967.

Mr. Bucher was born February 9, 1933, in Los Angeles. He received an A.B. degree from Occidental College in 1954 and a J.D. degree from Stanford University in 1956. He is married and has five children.

The Board of Governors of the Federal Reserve System consists of seven members appointed by the President, by and with the advice and consent of the Senate, for terms of 14 years. The current Chairman of the Board is Arthur F. Burns.

RESIGNATION OF MR. MAISEL AS A MEMBER OF THE BOARD OF GOVERNORS

Sherman J. Maisel, a member of the Board of Governors since April 30, 1965, resigned effective May 31, 1972. Mr. Maisel's term of office had

expired on January 31, 1972, but he continued to serve as a Board Member until his successor was appointed. Prior to his appointment to the Board, Mr. Maisel was professor of business administration and Chairman of the Center for Real Estate and Urban Economics at the University of California, Berkeley.

Mr. Maisel's letter of resignation and the President's letter of acceptance follow:

May 31, 1972

My dear Mr. President:

I hereby tender my resignation as a member of the Board of Governors of the Federal Reserve System, effective at the close of business May 31, 1972.

The approval by the Senate of Mr. Jeffrey Bucher as my successor means that I may now leave to engage in other activities without creating any problems for the Federal Reserve System.

I have found my term as a Governor of the Federal Reserve System most stimulating and challenging. I hope that I have succeeded in making a contribution toward our ability to conduct monetary operations in a way that will improve economic conditions and the national welfare.

Respectfully yours,
Sherman J. Maisel

The White House

June 8, 1972

Dear Mr. Maisel:

As you leave the Board of Governors of the Federal Reserve System, I want to express my appreciation for your dedicated service to the nation. The Board and the American public have benefitted substantially from the wisdom and insights you brought to your position, and I welcome this opportunity to extend my best wishes to you for continued success and happiness in the years ahead.

Sincerely,
Richard Nixon

CHANGES IN BOARD STAFF

The Board of Governors has announced the following official staff promotions and appointments in the Division of International Finance, effective June 7, 1972:

Arthur B. Hersey has been designated Senior Adviser and Robert F. Gemmill and Samuel Pizer have been promoted from Associate Advisers to Advisers.

George B. Henry and Helen B. Junz have been appointed Assistant Advisers. Mr. Henry, who holds a Ph.D. degree from Yale University, joined the Board's staff in 1968. Mrs. Junz, who holds degrees from the New School for Social Research and from the University of Amsterdam, was with the U.S. Department of Commerce before joining the Board's staff in 1962.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The following are summaries of recent interpretations of the Voluntary Foreign Credit Restraint (VFCR) Guidelines that have been issued, under authority delegated to Governor Andrew F. Brimmer, to the Federal Reserve Banks. (For text of Guidelines, see the BULLETIN for November 1971, pp. 906-16, and for March 1972, p. 321.)

Regularization of "De Minimus" Holdings

Guideline provision

Banks are asked (1) not to hold foreign assets in excess of their ceilings (II-A-1), and (2) to report their holdings whenever they have \$500,000 of foreign assets, whether those assets are of a type subject to, or exempt from, ceiling (II-F).

Interpretation

A bank that has not adopted a ceiling will be acting consistently with the objectives of the Voluntary Foreign Credit Restraint Program if its foreign assets of a type subject to ceiling do not exceed the lesser of (a) \$500,000 or (b) 2 per cent of its total assets as of the end of 1970 and if those foreign assets are otherwise in conformity with the Guidelines, for example, with the request against hold-

ing funds abroad in liquid form except for necessary working balances.

A bank that contemplates holding a greater amount of such foreign assets but that has no ceiling should consult the Federal Reserve Bank in its District concerning the possible adoption of a ceiling.

Use of "Newcomer" Ceilings

Guideline provision

Banks without ceilings may adopt them in stipulated amounts in order to engage directly in foreign financing (II-A-4).

Interpretation

It is reasonable to presume that a "newcomer" bank is using its ceiling properly if it makes a foreign loan or investment that, in the absence of the VFCR, it would also have made. Conversely, it is reasonable to presume that the ceiling is *not* being used properly if the loan or investment is made at the initiative of another U.S. bank or is attributable wholly or substantially to the latter's having insufficient leeway under its VFCR ceiling.

A practical test of whether making a particular loan or investment would be appropriate for a bank that has adopted a ceiling under the current Guidelines would be the determination that, among potential or actual U.S. lenders, the "newcomer" bank (1) took the initiative to arrange the credit, (2) assumed the principal burden of judging the creditworthiness of the borrower, and (3) bore responsibility for the administrative details concerning the extension and the repayment of the credit.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period May 16, 1972, through June 15, 1972.

Iowa

Des Moines...Valley Bank and Trust Company

Wisconsin

Milwaukee.....Northridge Bank

Announcements

CHANGES IN REGULATIONS D AND J

The Board of Governors of the Federal Reserve System on June 21, 1972, announced its unanimous approval of two regulatory changes designed to restructure on a more equitable basis the reserve requirements of member banks, and to modernize the Nation's check collection system.

The changes will go into effect in two steps in late September and early October. They will:

Apply the same reserve requirements to member banks of like size, regardless of a bank's location (amending Regulation D, governing reserves of member banks).

Require all banks, also regardless of location, served by the Federal Reserve check collection system (virtually all of the Nation's banks) to pay—in immediately collectible funds—for checks drawn on them the same day the Federal Reserve presents the checks for payment (amending Regulation J, governing collection of checks and other items by Federal Reserve Banks).

The changes, while basically the same as the proposals published for public comment March 28, have been modified in detail and method of application in the light of comment received. These modifications include further revisions of the restructured reserve schedule affecting member banks' net demand deposits ranging from \$10 million to \$100 million, and temporary waivers of penalties on reserve deficiencies attributable to the new check collection procedures.

In making the announcement the Board said:

The Board received letters during the 7-week period for comment through May 15 from less than 5 per cent of the Nation's 13,800 commercial banks. Although many banks suggested modifications in the original proposals—chiefly to minimize effects of the new check collection procedures upon their funds available for loans and investments—most of them approved of the program fully or in principle.

The correspondence the Board received, and the special efforts made by the Federal Reserve Banks during the comment period to assess the effects of the proposed changes, in-

dicating that a number of banks, especially those not served by most Federal Reserve offices and Federal Reserve Regional Check Processing Centers (RCPC's), would be adversely affected.

The Board has given careful attention to situations where a bank's funds available for investment would be significantly reduced by the new check collection procedures. The changes in the regulations, as now adopted, and the early activation of System-wide RCPC arrangements, will substantially lessen the effects upon investable funds of member banks.

Given the normal growth of deposits, these provisions should make it possible for member banks to adapt without undue difficulty to the new check collection procedures.

In this respect, it should be noted that the Board has formulated its new reserve requirements in such a way that the smaller the member bank, the more its reserve requirements are reduced. For example, member banks in the up to \$2 million net demand deposit category would experience a reduction in required reserves of 36 per cent, while member banks with net demand deposits of \$400 million and up would have their required reserves lowered by 9 per cent.

The Board is seeking simultaneously to equalize competitive conditions among banks—and further ease adjustment to the new check collection procedures—by giving high priority attention to extending Federal Reserve RCPC clearing services and equalizing cutoff hours.

Within the context of improving services, the Board's most immediate and highest priority aim is accelerating the development of Regional Check Processing Centers. This will greatly assist the transition to the new conditions by a large number of banks—nonmember as well as member. By making possible earlier receipt of funds due to banks depositing checks for clearance, these facilities for overnight check gathering, processing, and clearing will further offset the earlier payment for checks required by the change in Regulation J.

Regional Check Processing Centers located at Federal Reserve offices will serve areas as large as can be reached on an overnight basis. Such expanded zones of overnight check clearance are already in operation at Baltimore, Miami (Florida), Chicago, Kansas City, Omaha, and Denver. Centers at new loca-

tions will be established where needed to serve banks that cannot be reached overnight from present Federal Reserve offices.

The Board believes that the revisions of its regulations, as adopted, will result in a more efficient, more competitive, and more productive banking system, better able to take advantage of modern communications and accounting technology to serve business and private depositors in a growing economy.

The regulatory changes—and the method to be used in implementing them—will result in a net release of reserves of about \$1.5 billion: a total release of about \$3.5 billion from the restructuring of reserves and the waiver of penalties, which will be partially absorbed by the immediate \$2 billion reduction in float resulting from the change in Regulation J. This float arises out of the present practice whereby so-called country banks pay for checks presented by the Federal Reserve in funds that are not available for use until the next business day following presentment of the checks for payment. Additional reduction in float will occur as transportation arrangements are improved.

The net release of reserves will be accomplished in two steps. It is intended that Federal Reserve open market operations will be adapted as needed, when the amendments go into effect, to neutralize the effects on monetary policy.

Effects of the changes on the reserve positions of individual banks will vary and there will be some transitional imbalances despite the modifications adopted by the Board. The Board expects that discount officers at the Reserve Banks will be responsive to requests of any member banks temporarily in need of credit to tide them over a period of adjustment to the new check collection basis.

Reserve restructuring (Regulation D)

The Board's amendment restructuring reserve requirements on net demand deposits will modernize the system of reserves in the light of banking patterns that have evolved over the last 25 years. It will provide member banks of equal size with equal reserve requirements.

Under the basic restructuring, reserve requirements on net demand deposits will be based on the amount of such deposits held by a member bank without regard to its location. The restructuring will apply the following ratios to all member banks:

<i>Amount of net demand deposits (in millions of dollars)</i>	<i>Reserve percentages applicable</i>
2 or less	8
Over 2 to 10	10
Over 10 to 100	12
Over 100 to 400	13
Over 400	17½

These ratios will become effective in two steps just prior to the period when there is a seasonal need for reserves in the banking system. Beginning in the statement week of September 21 to September 27, the first three ratios—8 per cent, 10 per cent, and 12 per cent—will apply to net demand deposits of \$100 million and less, based on the average level of deposits held by the bank during the week ending September 13. This will coincide with the September 21 effective date for the Regulation J change. In addition, the 17½ per cent ratio that now applies to demand deposits between \$100 million and \$400 million (for present reserve city banks) will be reduced to 16½ per cent as part of the first step. During the statement week from September 28 to October 4, this latter ratio will be reduced to 13 per cent based on the average level of deposits held by the bank during the week ending September 20.

At present, member banks are divided into two classes on a geographical basis for the purpose of computing reserve requirements on demand deposits. The ratios for reserve city banks—typically the larger banks in the larger cities—are currently 17 per cent on the first \$5 million of demand deposits and 17½ per cent on demand deposits exceeding \$5 million. The reserve ratios for all other member banks—often called country banks—are currently 12½ per cent on the first \$5 million of demand deposits and 13 per cent on demand deposits exceeding \$5 million.

As originally proposed, a ratio of 13 per cent would have applied to net demand deposits from \$10 million to \$400 million. The Board decided to include an additional category—a 12 per cent ratio for net demand deposits between \$10 million and \$100 million—to help offset the absorption of reserves through float reduction under the new check collection rules that will have a sharp impact on banks of this size.

This particular action will release \$400 million in reserves, and of this amount \$250 million will go to country banks with net demand deposits of more than \$10 million.

One part of the reserve restructuring will change the manner in which “reserve city banks” are designated. Under the amendment, a bank is a reserve city bank automatically whenever the average of its net demand deposits for the reserve period rises above \$400 million.

In authorizing the Federal Reserve Banks to grant temporary waivers of penalties on certain deficiencies in reserves attributable to the change in Regulation J, the Board set the following guidelines:

—A waiver will be granted initially only for penalties on reserve deficiencies equal to a reduction in available funds that exceeds 2 per cent of a member bank's net demand deposits.

—The amount of deficiency eligible for waiver of penalties will decrease 1 per cent of net demand deposits for each quarter beginning January 1, 1973.

—No further waivers will be granted under this authority after June 30, 1974.

Check collection (Regulation J)

The Board adopted the proposals it made in March for revising its Regulation J, covering collection of checks by the Federal Reserve System. At the same time, it took steps to attenuate and mitigate the impact on affected banks of faster check collection.

Commercial banks that are members of the Federal Reserve System send to the Federal Reserve for collection checks deposited by their customers that are drawn for the most part on banks outside their local clearing systems. The Federal Reserve presents the checks, for collection, to the banks against which they are drawn. Nonmember banks use Federal Reserve collection facilities by sending their checks to the Federal Reserve through a member bank. The Federal Reserve credits the reserve account of member banks that send checks to it for collection. The Reserve Bank recovers the amounts it has credited when it collects from banks whose customers wrote the checks.

The revised check collection regulation requires all banks to pay for their checks the same day the Federal Reserve presents them for payment, and to make the payment in funds that are available to the Federal Reserve that day, that is, to pay in immediately available funds. In no case, however, would a bank be expected to pay for its checks prior to receipt of its cash letter from the Reserve Bank. Nor would the right of a bank to return any check on the following day be affected.

Nearly all banks in the 12 cities where the Federal Reserve Banks are located and in the 25 cities with other Federal Reserve offices have been on such an immediate payment basis. Payment for checks by these banks and their customers is not affected by the new check collection procedures. They will, of course, benefit from earlier credit from banks whose earlier payment is passed on by the Federal Reserve.

In recent months, in furtherance of Federal Reserve policy aimed at modernizing the Nation's payments mechanism, the Federal Reserve Banks have begun establishing Regional Check Process-

ing Centers (RCPC's) to serve expanded "zones of immediate payment" around, as well as in, their cities. Banks and their customers in these zones also have been on an immediate payments basis and their payment practices are thus not affected by the new check collection procedures.

The banks that may be adversely affected most by the revised check collection procedure are those outside cities with Federal Reserve facilities, and outside the immediate payment areas served by the RCPC's. Such banks, which will go on an immediate payment basis, generate some 15 per cent of the dollar volume of all checks and about half of the 100 million checks currently written in the United States each business day. Whether or not they are adversely affected depends upon the offsetting amount of earlier credits they will receive and reduction of their required reserves.

These country banks had previously paid for checks presented to them in funds collectible one day or more after presentation. This practice—rooted in times of slower communications—made available to such banks for investment an average of approximately \$2 billion a day in funds that were in the process of collection through the Federal Reserve. This \$2 billion float will be eliminated under the new same-day-payment check collection procedure.

The new check collection rules thus place all banks—city and country, member and nonmember—on the same footing as regards check collection by the Federal Reserve. A number of the member country banks not now paying in immediately available funds are medium to large banks located in the many sizable cities that do not have Federal Reserve offices and in suburban areas around Federal Reserve cities.

In making immediate rather than deferred payment for their checks, banks not already on an immediate payment basis could—in the absence of offsetting action by the Board—lose investable funds. The Board's action will provide newly investable funds resulting from the lower reserves the new reserve schedule permits. And the effect of having to pay the Federal Reserve for their checks earlier will be offset by earlier credit from the Federal Reserve on checks written in their favor. Where earlier credit is given for checks due to either member or nonmember banks operating through a correspondent bank, the Federal Reserve anticipates that correspondent banks will pass the earlier credit back to the banks they represent.

Despite these offsets, some banks will nevertheless still have to give up funds previously avail-

able to them in the form of float. To attenuate and mitigate the effect of this reduction of funds, the Board has authorized the Reserve Banks to waive penalties on certain deficiencies in reserves for periods of up to 21 months.

The amount of funds on which penalties initially will be waived, after the new check collection procedure goes into effect, will depend upon the amount of net loss of funds a bank experiences. The net loss of reserves will be the amount of the reduction in reserves due to immediate rather than deferred payment for checks that is not offset by (1) the Board's new reserve requirement structure or (2) receipt of earlier credit for checks under the new check collection rules. The amount will be figured as a per cent of the bank's net demand deposits.

Where a bank's net reduction of funds is less than 2 per cent of its net demand deposits, no waiver of penalties will be granted. Penalties will be waived on reserve deficiencies in excess of 2 per cent of net demand deposits through the remainder of this year. Thereafter, the waiver of penalties will be reduced at the beginning of each quarter on an amount equal to 1 per cent of the bank's net demand deposits, up to a maximum of six quarters.

PROPOSED ONE-BANK HOLDING COMPANIES

The Board of Governors on July 5, 1972, made public a letter to the Presidents of the Federal Reserve Banks concerning their use of delegated authority for approval of proposed one-bank holding companies.

The letter follows up an oral presentation to the Board, on June 28, 1972, at which interested parties gave their views on guidelines issued by the Board to the Reserve Banks for use in approving one-bank holding company applications. The record of the presentation was held open for written comment by participants and others through July 12, after which the Board will reconsider the guidelines.

The Board's letter was designed to clear up misunderstandings as to the use of the guidelines that became apparent in the June 28 oral presentation. Accordingly, the letter made clear that the Reserve Banks should:

1. Continue to use the guidelines, as they stand, delineating the extent to which Federal Reserve Banks can approve one-bank holding company applications under delegated authority.
2. Forward to the Board for action any applications that do not meet those guidelines, or on which, for any other reason, the Reserve Bank recommends denial.

3. Make it clear that, in its deliberations, the Board will consider and decide each case on its merits.

The guidelines provide in pertinent part:

1. If any offer to acquire shares is extended to shareholders of the bank, the offer is extended to all shareholders of the same class on an equal basis.

2. The amount borrowed by the holding company to purchase the voting shares of the bank does not exceed either 50 per cent of the purchase price of the shares of the bank or 50 per cent of the equity capital of the holding company, the loan will be repaid within a reasonable period of time (not to exceed 10 years), the interest rate on the loan is comparable with other stock collateral loans by the lender to persons of comparable credit standing, and the loan is not conditioned upon maintenance of a correspondent bank balance with the lender that exceeds the usual needs of the bank whose shares are being purchased.

3. Interest on and amortization of the holding company's indebtedness will not exceed, in any year, 50 per cent of the holding company's proportionate share of the bank's anticipated net income (after taxes) for that year, unless a higher percentage is specifically approved by the Reserve Bank at the time of the formation of the holding company.

ASSISTANCE TO BANKS IN FLOODED AREAS

The Federal Reserve System on June 26, 1972, moved to facilitate efforts of banks in the areas flooded due to Hurricane Agnes to accommodate the credit needs of their customers for reconstruction and rehabilitation purposes.

Under arrangements established by the System's Board of Governors in Washington, the Federal Reserve Banks whose districts encompass the involved areas are authorized:

1. To waive penalties on member banks for failure to maintain the reserve balances they are required to keep with the Reserve Banks.
2. To make appropriate credit available to banks to help them meet the unusual circumstances in their areas.

CHANGES IN OTC MARGIN STOCKS

The Board of Governors announced several changes, effective July 3, 1972, in its "List of OTC Margin Stocks" that was issued in revised form on May 15, 1972. The list was first published on July 8, 1969.

Two stocks, Browning Company, \$1.00 par

common, and Warner Continental, Inc., \$.50 par common, are added to the list.

Four stocks are deleted from the list: First Pennsylvania Corporation, \$1.00 par common; Keene Corporation, \$.10 par common; NLT Corporation, \$5.00 par common; and Arkansas-Missouri Power Company, \$2.50 par common.

Five other changes have been made. Bankamerica Corporation, \$6.25 par common now reads, after a 2 for 1 split, as Bankamerica Corporation, \$3.125 par common; Food Fair Properties, Inc., \$.01 par common becomes Amterre Development Inc., \$.01 par common; International Textbook Company (Intext), no par common is changed to Intext, Inc., no par common; National Patent Development Corporation, Class A, \$.01 par common now reads as National Patent Development Corporation, \$.01 par common; and Palo Alto-Salinas Savings and Loan Association, no par capital is renamed Northern California Savings and Loan Association, no par capital.

MONTHLY SERIES FOR COMMERCIAL AND INDUSTRIAL LOANS AT ALL COMMERCIAL BANKS

An estimated monthly series on commercial and industrial loans at all commercial banks will be published regularly in the *BULLETIN* beginning with this issue. Previously, the only commercial and industrial loan data shown for all commercial banks were for June and December call report dates.

The new series for business loans will be shown both on a seasonally adjusted basis and without seasonal adjustment. Data also will be shown adjusted for transfers of such loans between banks and their affiliates, subsidiaries, or foreign branches. These series will be included in the table, "Loans and Investments at All Commercial Banks," page A-18. Seasonally adjusted data will also appear in the Board's H.8 statistical release as of the last Wednesday in each month. Monthly data for the period 1959-71 appear on page A-109 of this *BULLETIN*.

Figures for commercial and industrial loans at all commercial banks are reported to the Federal banking authorities for the June and December call dates but are available only with a 3- or 4-month lag. Until the call report figures do become available, they are estimated by the Federal Reserve. Figures for the last Wednesday of the intervening months are also estimated by the Federal Reserve and when call report data become available the monthly figures are benchmarked in accordance with the call report data.

The monthly series on business loans at all commercial banks is derived from two sources: (1) the volume of such loans as actually reported for the last Wednesday of the month by the large weekly reporting commercial banks, and (2) the volume of such loans as estimated for all other commercial banks. Business loans at the large weekly reporting banks account for about 70 per cent of business loans outstanding at all commercial banks. For the smaller banks that do not report their business loans weekly, estimates of such loans are based on: (1) the movement of total loans at these banks as actually reported by country member banks and as estimated for nonmember banks, and (2) the trend of business loans at the smaller banks (member and nonmember) as indicated by the most recent call report benchmark. The original estimates, as noted earlier, are subsequently revised to bring them in line with call report figures. Since the monthly business loan figures for the nonweekly reporting banks are entirely estimated between call dates, however, fairly substantial errors may occur from time to time in the series and users should take account of these limitations.

BANKING DATA ON MAGNETIC TAPES

Selected data reported semiannually by individual banks to Federal banking agencies in their official Reports of Condition are now available to the public on 9-track, 800-bpi magnetic tape. The data shown are for the major balance sheet items that have been published regularly in recent years in the Reports of Condition, which consolidate data for all domestic banking offices and their significant domestic subsidiaries. Included with the tapes is appropriate documentation of the data and of the tape file; the tapes identify by name, location, and supervisory charter-class all commercial banks in the United States that are insured by the Federal Deposit Insurance Corporation. Beginning with data for 1972, the subscription price for two tapes of data—one for the June call and one for the December call—will be \$100 per year.

Historical data in the same format are now available through December 1971. Tapes of data for June and December dates for the period June 1960 through June 1971 (7 tapes) are available as a set, at a price of \$150 per set. The price of the tape for December 1971 is \$50.

Information regarding these tapes may be obtained by writing to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Checks made payable to the Board of

Governors of the Federal Reserve System should accompany requests for tapes.

REVISED EDITION OF THE FEDERAL RESERVE ACT

The Board of Governors has published a reprint of the Federal Reserve Act and related statutes that includes legislation enacted through 1971.

A complimentary copy is being sent to the head office of each member bank of the Federal Reserve System. Additional copies may be obtained by member banks at a cost of \$1.25 each. Copies are also available for sale to the public at the same price, from the Board's Division of Administrative Services or any Federal Reserve Bank.

Announcements

CHANGE IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the appointment of Edward K. O'Connor as Assistant Director in the Division of Data Processing, effective August 8, 1972. Mr. O'Connor, who joined the Board's staff in April 1971, received a bachelor's degree in mathematics from Boston University in 1956.

BANK HOLDING COMPANY ACTIVITIES

The Board of Governors announced on August 3, 1972, that it had decided not to include at the present time operation of savings and loan associations on its list of activities in which bank holding companies may engage.

The Board had previously indicated that operation of a savings and loan association was not within the scope of activities heretofore authorized to be conducted by a bank holding company under section 4(c)(8) of the Bank Holding Company Act, and that it was then considering whether to expand its list of activities to include such activity.

The Board noted that Congress has created a statutory framework for savings and loan associations that is separate from the statutes governing commercial banks. Under these statutes, different rules have been established for the two kinds of institutions on such matters as branching, taxation, and ceilings on rates paid to attract savings. A statute has also been enacted governing savings and loan holding companies, separate and distinct from the Bank Holding Company Act. This statutory pattern suggests past intent on the part of the Congress to maintain savings and loan associations as specialized lenders to finance housing, with specialized rules appropriate to that role. Acquisition of savings and loan associations by bank holding companies could tend to blur this congressionally established structure.

Proposals for affiliation of banks and savings and loan associations in a holding company system involve broad questions of public policy that, in the Board's opinion, should not be decided until the Congress has had an opportunity to consider the matter. Suggestions for changes in rules governing specialized thrift institutions have been made by the President's Commission on Financial Structure and Regulation (the "Hunt Commission"), as well as others. It is expected that the

next Congress will have occasion to thoroughly consider bank and savings and loan association relationships.

This action does not affect previous Board decisions permitting affiliations of thrift institutions and commercial banks in Rhode Island.

TRANSFER OF FEDERAL RESERVE BRANCH TERRITORY

Effective July 20, 1972, the territory of the Louisville Branch of the Federal Reserve Bank of St. Louis was extended to include the towns of Holland and Loogootee, Indiana. These towns were previously in the territory served by the head office at St. Louis.

NEW PUBLICATION

The third and final volume on the *Reappraisal of the Federal Reserve Discount Mechanism* is available for distribution. Volume 3 consists of the following: "The Secondary Market for State and Local Government Bonds" by William F. Staats; "The Secondary Market for Negotiable Certificates of Deposit" and "A Study of the Market for Federal Funds" by Parker B. Willis; "Financial Instability Revisited: The Economics of Disaster" by Hyman P. Minsky; "Discount Policy and Bank Supervision" by Benjamin Stackhouse; "Discount Policy and Open Market Operations" by Paul Meek; "The Redesigned Discount Mechanism and the Money Market" by Robert C. Holland and George Garvy; and "Reserve Adjustments of the Eight Major New York City Banks During 1966" by Dolores P. Lynn.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is \$3.00 per copy; in quantities of 10 or more sent to one address, \$2.50 each.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period July 16, 1972, through August 15, 1972.

Florida
HolidayBank of Holiday

Announcements

FEDERAL RESERVE BANK BRANCH DIRECTORS

E. Stanley Robbins, who had served since January 1, 1970, as a Board-appointed Director of the Birmingham Branch of the Federal Reserve Bank of Atlanta, resigned effective June 30, 1972.

Wade C. Barton, who had served since January 1, 1972, as a Board-appointed Director of the

Memphis Branch of the Federal Reserve Bank of St. Louis died on July 26, 1972. Mr. Barton was President of First Citizens National Bank, Tupelo, Mississippi.

John G. Beam, who had served since January 1, 1969, as a Board-appointed Director of the Louisville Branch of the Federal Reserve Bank of St. Louis, died on August 29, 1972. Mr. Beam was President of Thomas Industries Incorporated, of Louisville.

Announcements

APPOINTMENT OF RESERVE BANK PRESIDENT

The Board of Governors has approved the appointment by the directors of the Federal Reserve Bank of San Francisco of John J. Balles as president of that Bank, to serve the remainder of a 5-year term expiring February 29, 1976. He succeeds Eliot J. Swan, who retired June 1, after having served 31 years with the Bank, including more than 11 years as its president.

Prior to his appointment, Dr. Balles was senior vice president of the Mellon National Bank and Trust Co., Pittsburgh, Pennsylvania. Before joining the Mellon Bank in 1959, Dr. Balles served for 5 years with the Federal Reserve Bank of Cleveland. A native of Freeport, Illinois, Dr. Balles holds degrees from the State University of Iowa (B.S. and M.A.) and from Ohio State University (Ph.D.).

APPOINTMENT OF DIRECTOR

Frederick G. Koenig, Jr., of Birmingham, Alabama, has been appointed by the Board of Governors to serve as a Director of the Birmingham Branch of the Federal Reserve Bank of Atlanta, effective September 23, 1972. Mr. Koenig, who is President of Alabama By-Products Corporation, Birmingham, will complete the term, expiring December 31, 1972, of E. Stanley Robbins, who resigned.

REGULATIONS D AND J: POSTPONEMENT OF EFFECTIVE DATE OF AMENDMENTS

The Board of Governors on September 20, 1972, issued the following statement regarding its implementation of amendments to Regulations D and J:

The Board of Governors of the Federal Reserve System today postponed the effective date of amendments to its Regulations D and J which had been scheduled to go into effect on September 21.

This action resulted from the issuance of a temporary restraining order by the U.S. District Court for the District of Columbia on a petition filed by the Independent Bank-

ers Association of America and the Western Independent Bankers.

The amendment to Regulation D represents a restructuring of reserve requirements on demand deposits and will apply the same reserve requirements to member banks of like size, regardless of their location. The amendment to Regulation J will require all banks served by the Federal Reserve check collection system to pay for checks in immediately available funds on the day of presentment.

Strict compliance with the Court's order would restrain implementation only as to a limited group of banks and only with respect to Regulation J. However, in view of the adverse effect on the payments mechanism if implementation of the Regulation J proposals were fragmented, and, considering the adverse monetary policy impact should the reserve requirement adjustment under Regulation D be effected without the accompanying Regulation J changes, the Board has determined that it is necessary to postpone the effective date of both regulatory amendments, pending judicial determination and subsequent action by the Board.

(For the text of the amendments and the Board's earlier announcement, see pages 649 and 679, respectively, of the July 1972 BULLETIN.)

OVERSEAS BRANCHES OF MEMBER BANKS

Total assets of the overseas branches of member banks increased by \$14.4 billion, or 27 per cent, during 1971 to a total of \$67 billion, the Board of Governors announced on October 12, 1972, in releasing data showing balance sheet items of overseas branches at the beginning and end of the year. At the end of 1971, 577 overseas branches were in operation, an increase of 41 branches during the year.

Most of the increase in total branch assets in 1971 was again accounted for by the branches in Europe—particularly those in London—and in the Bahamas.

Amounts due from head offices and U.S.

ASSETS AND LIABILITIES OF OVERSEAS BRANCHES OF MEMBER BANKS, END OF YEAR, 1970 AND 1971

In millions of dollars, unless otherwise indicated

Item	United Kingdom and Ireland		Continental Europe		Bahamas		Latin America		Far East		Near East and Africa		U.S. overseas areas and trust territories		Total	
	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971	1970	1971
Assets																
Cash	8,934	13,246	2,826	4,359	1,306	2,008	265	278	157	375	58	76	79	83	13,625	20,425
Loans	11,340	13,502	2,604	3,602	2,217	4,728	1,129	1,417	2,152	3,277	145	164	827	981	20,414	27,671
Due from head offices and U.S. branches	5,653	1,904	1,145	250	422	480	38	29	437	465	14	9	856	580	8,565	3,717
Other	3,741	6,491	2,921	4,702	476	633	623	795	1,677	2,104	98	135	471	381	10,007	15,241
Total	29,668	35,143	9,496	12,913	4,421	7,849	2,055	2,519	4,423	6,221	315	384	2,233	2,025	52,611	67,054
Liabilities																
Deposits:																
Demand	1,816	2,336	1,082	1,491	115	108	684	691	769	895	85	127	380	410	4,931	6,058
Time	23,568	27,944	5,976	7,351	3,779	5,905	438	525	1,276	1,775	205	211	1,306	1,054	36,548	44,765
Due to head offices and U.S. branches	1,194	914	35	281	92	104	78	84	178	125	8	3	160	278	1,745	1,789
Other	3,090	3,949	2,403	3,790	435	1,732	855	1,219	2,200	3,426	17	43	387	283	9,387	14,442
Total	29,668	35,143	9,496	12,913	4,421	7,849	2,055	2,519	4,423	6,221	315	384	2,233	2,025	52,611	67,054
Number of branches ..	44	48	72	80	61	73	223	229	79	83	14	17	43	47	536	577

NOTE.—Data are from Board of Governors of the Federal Reserve System.

branches declined by 57 per cent to \$3.7 billion as head offices continued to reduce their reliance on foreign funds to support domestic operations. Loans at overseas branches expanded by \$7.3 billion, or 35.5 per cent, during the year. The marked increase in cash assets reflected expanded time placements with other banks in Euro-currency markets.

The data, derived from reports of condition filed at the end of the year with the Comptroller of the Currency and the Federal Reserve System, differ in certain respects from other statistical reports covering aspects of overseas branch operations. The assets and liabilities shown are payable in U.S. dollars as well as in currencies of the countries where the branches are located and in other foreign currencies.

PUBLICATION OF VOLUME ON PRICE CONFERENCE

The Econometrics of Price Determination Conference is available for distribution. This Conference was held on October 30 and 31, 1970, in Washington, D.C., under the joint sponsorship of the Social Science Research Council and the Board of Governors of the Federal Reserve System. The Conference was designed to encourage new research to ascertain the price-wage properties of major econometric models, to hasten the completion of econometric studies under way, and to provide an interchange between Government

agencies originating price data and econometricians using such data. The Conference was not aimed at policy, but rather was intended to deepen our understanding of the structural mechanisms that have made contemporary economies so vulnerable to inflation.

The book contains the following papers, with a preface by Professor Otto Eckstein of Harvard University who was both Chairman of the Planning Committee for the Conference and Editor of this volume:

Session I: "The Wage-Price Mechanism: Overview of the Conference" by James Tobin; "Recent Developments in Price Dynamics" by William D. Nordhaus; "Econometric Testing of the Natural Rate Hypothesis" by Robert E. Lucas, Jr.; "On the Structure of Serial Dependence in Some U.S. Price Series" by Marc Nerlove; and discussions of these papers by Franklin M. Fisher, P. W. MacAvoy, and Peter von zur Muehlen.

Session II: "Industry Price Equations" by Otto Eckstein and David Wyss; "An Econometric Analysis of the Relation of Monetary Variables to the Behavior of Prices and Unemployment" by Leonall C. Andersen and Keith M. Carlson; "Price Determination and Cost-of-Living Measures in a Disaggregated Model of the U.S. Economy" by Dale Heien and Joel Popkin; and discussions of these papers by Robert J. Gordon and Zvi Griliches.

Session III: "Price Determination in the Wharton Model" by L. R. Klein; "Price Simulations with the OBE Econometric Model" by Albert A. Hirsch; "Prices and Wages in the FR-MIT-Penn Econometric Model" by George de Menil and Jared J. Enzler; "Prices and Price Behavior in Three U.S. Econometric Models" by Saul H. Hymans; discussions of these papers by Carl F. Christ, Dale W. Jorgenson, and Frank W. Schiff; and a "Reply to Comments by Christ and Jorgenson" by de Menil, Enzler, and Hirsch.

Session IV: "Price Formation in European Countries" by R. J. Ball and Martyn Duffy; "Wage and Price Formation in Selected Canadian Econometric Models" by Ronald G. Bodkin; "Objectives for Price and Wage Statistics at the Bureau of Labor Statistics" by Geoffrey H. Moore; "Discussion of Moore's Paper" by Milton Moss; and "Discussion of Papers by Bodkin and by Ball and Duffy" by James K. Kindahl.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price of the clothbound edition is \$5.00 per copy (\$4.50 each in quantities of 10 or more sent to one address).

The paperbound edition is \$4.00 (\$3.60 each in quantities of 10 or more sent to one address).

NEW PUBLICATION

A new publication that gives a line-by-line explanation of the terms appearing in two statistical releases of the Board of Governors has been published by the Federal Reserve Bank of New York. The publication is a 24-page annotated glossary of terms used in the Consolidated Statement of Condition of All Federal Reserve Banks H. 4.1(a) and Factors Affecting Bank Reserves H. 4.1. The publication entitled "Glossary: Weekly Federal Reserve Statements" is available without charge from the Public Information Department, Federal Reserve Bank of New York, 33 Liberty Street, New York, New York 10045.

ERRATUM

In the amendment to § 221.3(a) of Regulation U, published at page 797 of the September BULLETIN, the reference to paragraph (x) in the proviso clause should be deleted. As corrected, the proviso clause reads ". . . *Provided*, That this requirement shall not apply to any credit described in paragraphs (o), (w), (y), or (z) of this section. . . ."

Announcements

APPOINTMENT OF DIRECTOR

The Board of Governors of the Federal Reserve System has appointed James H. Davis, of Louisville, Kentucky, as a director of the Louisville Branch of the Federal Reserve Bank of St. Louis for the unexpired portion of a term ending December 31, 1972, and for a 3-year term beginning January 1, 1973. Mr. Davis, president of Porter Paint Company, succeeds the late John G. Beam.

REGULATIONS D AND J: NEW EFFECTIVE DATE

The Board of Governors announced on October 24, 1972, a new effective date—November 9—for implementing amendments to its Regulations D and J relating to a restructuring of reserve requirements and new check collection rules.¹

The amendments had originally been scheduled to go into effect on September 21 but were delayed as a result of court action. Subsequent developments in the courts, however, now make it possible for the Board to set a new effective date for the regulatory changes which will:

—Apply the same reserve requirements to member banks of like size, regardless of a bank's location. (Regulation D)

—Require all banks served by the Federal Reserve check collection system to pay for checks in immediately available funds the same day the checks are presented for payment by the Federal Reserve. (Regulation J)

The Regulation J change is effective on November 9 while the Regulation D changes take effect in two steps beginning on that date. The change in Regulation J is part of a program to modernize the Nation's payments mechanism which also includes establishment of regional centers for the overnight clearing of checks.

The reserve restructuring will apply the following ratios of reserve requirements on net demand deposits to all member banks:

<i>Net demand deposits (millions of dollars)</i>	<i>Reserve percentages applicable</i>
First 2 or less	8
Over 2 to 10	10
Over 10 to 100	12
Over 100 to 400	13
Over 400	17½

¹See July 1972 BULLETIN, pp. 626-30, and pp. 679-82.

The first three ratios—8, 10, and 12 per cent—are effective beginning in the statement week of November 9 to November 15. In addition, the reserve ratio of 17½ per cent that applies to demand deposits at present Reserve City banks is reduced to 16½ per cent on net demand deposits between \$100 million and \$400 million as part of step one. During the statement week of November 16 to November 22, this is reduced from 16½ per cent to 13 per cent.

The revisions are intended to be neutral with respect to monetary policy. The release has been timed to phase in with seasonal reserve needs, and to give commercial banks time to make necessary adjustments to the revised regulations.

As announced previously, Federal Reserve Banks will grant temporary waivers of penalties on certain deficiencies in reserves attributable to changes in Regulations D and J. These waivers have already been arranged with member banks and are effective on November 9. Also, Federal Reserve credit will be made available to non-member banks in the event that the new check collection rules result in a significant impairment of liquidity or of the bank's ability to serve its community.

Action to delay the original effective date of September 21 resulted from the issuance of a temporary restraining order by the U.S. District Court for the District of Columbia on a petition filed by the Independent Bankers Association of America and the Western Independent Bankers.

On October 19, 1972, the U.S. District Court for the District of Columbia denied a motion for a preliminary injunction sought by the plaintiffs on the ground that the plaintiffs had failed to carry the burden of establishing (1) that they would be irreparably injured if the amendments to Regulation J were put into effect, and (2) that they would be likely to succeed on the merits of the case after full trial. This decision was consistent with the decision rendered on October 10, 1972, by the U.S. District Court for the Central District of California in an action brought by a group of California banks seeking to enjoin full implementation of the Board's Regulation J; this court's decision on a motion for preliminary injunction was also based on these same grounds.

AMENDMENTS TO VF CR GUIDELINES

The Board of Governors announced on November 7, 1972, the adoption of several clarifying amendments to the Voluntary Foreign Credit Restraint (VF CR) guidelines. The revisions do not affect the foreign lending and investment ceilings of banks and other financial institutions. The amendments are essentially administrative and are designed to be neutral with respect to capital outflows under the Guidelines.

One change extends to nonbank domestic subsidiaries of bank holding companies an opportunity already afforded to domestic subsidiaries of Edge Act Corporations. That opportunity would now permit those holding company subsidiaries to reduce the amount of foreign assets charged against bank lending ceilings by the amount of outstanding borrowings they have made from foreigners for minimum maturities of 3 years in order to invest abroad.

In amending the provision, the Board recognized that some banks now utilize domestic subsidiaries of their holding companies to make foreign investments in the same manner as banks have been using domestic subsidiaries of Edge Act Corporations.

The Board also amended the Guidelines to incorporate several interpretations made since the present Guidelines were revised and reissued on November 11, 1971. Those amendments will:

1) specify how banks that have come into being since the end of 1970 are to calculate their lending ceilings;

2) distinguish between the characteristics of real estate investment trusts that are to be treated as nonbank financial institutions for purposes of the Guidelines and those that are not;

3) state that banks without ceilings may hold foreign assets up to \$500,000 or in some cases a lower amount;

4) explain that only those trust funds over which trustees have some investment discretion and that are not separately reported by the customer are to be treated as subject to the restraints applicable to those institutions;

5) state that equity securities issued by a nonbank financial institution and sold to, and held by, foreigners in developed countries may be counted as offsets to foreign assets under ceiling in the same way that borrowings from such foreigners have been treated as offsets;

6) make clear that special adjustments for investments in foreign insurance ventures are limited only to investments made before 1965; and

7) indicate that foreign tariffs are not to be considered as part of the cost of U.S. exports for the purpose of determining an export credit.

The amendments, which became effective on November 7, 1972, are as follows:²

(Italics indicates language to be inserted; brackets indicate deletions.)

Section II-A-7

7. Foreign Borrowings

* * * * *

a. BANKS, *BANK HOLDING COMPANIES*, EDGE ACT CORPORATIONS, AND AGREEMENT CORPORATIONS. A bank, *a bank holding company*, an "Edge Act" Corporation, or an "Agreement" Corporation may not count its borrowings from, or its other liabilities to, foreigners as offsets to its claims on foreigners and other foreign assets.

b. DOMESTIC SUBSIDIARIES. A domestically chartered nonbank subsidiary (for example, a so-called Delaware subsidiary) *of a bank holding company*, of an Edge Act Corporation, or of an Agreement Corporation may count the outstanding amount of its borrowings from foreigners as offsets to its claims on foreigners and to its other foreign assets, provided those borrowings are of an original maturity of 3 years or more . . .

Section II-A-2

2. Calculation of Ceilings

A bank will have a ceiling which will be the greatest of the following:

* * * * *

c. 2 per cent of its total assets, as of December 31, 1970 [.] *except for a bank established on a subsequent date, 2 per cent of its total assets, month by month, until it has been in operation one full calendar year and thereafter 2 per cent of its total assets at the end of that first full calendar year of operation.*

Section II-E Conformity with Objectives of Guidelines

6. Banks without ceilings

A bank that has not adopted a ceiling will be acting in conformity with the objectives of the Guidelines (a) if its foreign assets of types subject to restraint do not exceed the lesser of (i) \$500,000 or (ii) 2 per cent of its end-of-1970 total assets and (b) if those foreign assets are otherwise in conformity with the Guidelines, for example, with

²For full text of Guidelines, see Federal Reserve BULLETIN, Nov. 1971, pp. 906-16, and Mar. 1972, p. 321.

the request against holding funds abroad in liquid form except for necessary working balances.

Section III-A

A. Applicability to Financial Institutions

* * * Real estate investment trusts whose assets consist primarily of real property as contrasted with financial assets (such as mortgages) also are not covered by these Guidelines.

Section III-D

* * * * *

7. Investments made by trust departments of commercial banks or by trust companies with trust funds over which the trustee (or co-trustee) has at least some influence over investment policy and not separately reported by another financial institution.

H. Investments in Certain Foreign Insurance Ventures

Net investment in foreign insurance ventures should be reported. [wherever possible. If the net investment cannot be segregated, the U.S. insurance company may exclude from its foreign assets (1) investments within the foreign country involved in amounts up to 110 per cent of reserves accumulated on insurance sold to residents of that country, or (2) (if it is larger than 110 per cent of the reserves) the minimum deposit of cash or securities required as a condition of doing insurance business within that country.] *In the case only of a foreign insurance venture in which a U.S. nonbank financial institution had an investment before 1965, if it is not feasible to segregate the net investment of the U.S. nonbank financial institution, the latter may exclude from its foreign assets subject to ceiling the aggregate of the larger of the following in each foreign country in which a foreign affiliate sells insurance: (a) 110 per cent of assets held in the foreign country as reserves against insurance sold to residents of that country by the foreign affiliate or (b) the minimum deposit of cash or securities required by foreign authorities as a condition of doing insurance business in that country.*

Section III-J Covered Assets in Excess of Ceilings

1. . . . [C]overed investments of nonbank financial institutions may be permitted to exceed the Guideline ceiling to the extent that the funds for such investment are (a) borrowed abroad for investment in the same country or in countries that are subject to the same or more liberal Guideline

restraint [.] or (b) derived from equity securities issued by the nonbank financial institution and sold to residents of foreign developed countries (other than Canada), provided that the nonbank financial institution promptly treats as a charge against its ceiling the amount of any such equity securities at any moment it is unable to assure itself fully that any such securities continue in the possession of such foreigners. (For reporting purposes, amount of such securities held by foreigners should be included with borrowings in foreign countries.) Thus, . . .

Section IV-3 Third paragraph

The cost of freight in connection with exportation . . . may be included in the cost of export for the purpose of determining the amount of credit that is to be considered export credit. *Any element of foreign duty is to be excluded for this purpose.*

CHANGES IN OTC MARKET STOCKS

The Board of Governors has announced several changes, effective November 2, 1972, in its "List of OTC Margin Stocks" that was issued in revised form on May 15, 1972. These changes are available in mimeographed form from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

PUBLISHED INTERPRETATIONS OF THE BOARD

Supplement No. 18 to the looseleaf compilation of "Published Interpretations of the Board of Governors of the Federal Reserve System," containing the published interpretations as of June 30, 1972, is now available.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period October 16, 1972, through November 15, 1972:

Minnesota

Mendota Heights . . . Mid-America State Bank of Mendota Heights

South Dakota

Clark Citizens State Bank
Lemmon Bank of Lemmon

Virginia

Dillwyn The Bank of Buckingham

Announcements

CHANGE IN MARGIN REQUIREMENTS

The Board of Governors of the Federal Reserve System increased the initial margin requirement for purchasing or carrying stocks from 55 per cent to 65 per cent, effective Friday, November 24.

Federal Reserve margin requirements set the minimum downpayment that must be made to purchase margin securities. Under a 65 per cent margin, a purchaser is required to pay 65 per cent of the purchase price and may obtain credit for the remaining 35 per cent.

The increase in margin was adopted under authority granted to the Board in the Securities Exchange Act of 1934 to prevent the excessive use of credit to finance securities transactions. In making the change, the Board noted that margin debt had increased sharply over the past year. Margin debt at brokers and dealers has risen about \$3 billion since November 1971, and the amount outstanding at the end of October was \$7.8 billion, a record level for margin debt of this type. At banks, loans for the purpose of purchasing or carrying margin securities increased by more than \$330 million since November 1971.

The Board also noted that recent behavior of the stock market suggested that the use of margin credit, following a leveling off in late summer, was again in the process of expanding. Further rapid increases in such credit could stimulate inflationary expectations.

The Board's action is applicable to new extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying stocks registered on a national stock exchange or named in the Board's over-the-counter margin list.

At the same time, the Board increased the required deposit on short sales from 55 per cent to 65 per cent, effective November 24. No change was made in the 50 per cent margin requirement for purchasing or carrying convertible bonds or in the 70 per cent "retention requirement" that applies to undermargined accounts. This latter requirement specifies the portion of the proceeds of a sale of securities that must be retained in a margin account if the equity does not match the initial margin requirement.

The initial margin requirement was last changed on December 6, 1971, when it was reduced from 65 per cent to 55 per cent.

VFCR AMENDMENT

The Board of Governors announced on December 1, 1972, the adoption of an amendment to exempt from the Voluntary Foreign Credit Restraint guideline ceilings foreign assets acquired in connection with settlement of claims under insurance and guarantees of the U.S. Overseas Private Investment Corporation (OPIC). Without the amendment, the purchase of such foreign assets by U.S. banks and other U.S. financial institutions would have been subject to guideline ceilings, even though no new capital outflow would have resulted.

The amendments are to add to the guidelines, as both Sections II-B-4 and III-E-7, the following:

"Insurance and Guaranty Settlements of OPIC

A foreign asset acquired directly or through purchase of a participation in a pool of foreign assets, provided the foreign asset or the participation is covered by a payment guarantee issued by the U.S. Overseas Private Investment Corporation (OPIC) under its insurance and guaranty claims settlement authority, is exempted from an institution's ceiling."

NEW PUBLICATION

Industrial Production—1971 Edition is available for distribution. In this edition of the production index detailed adjustments have been made to independently compiled Census-Federal Reserve benchmark and annual production levels for individual series. Many new series have been developed for a total of 227. About two-thirds of the monthly measurements based on manhours have been replaced by series based on consumption of electric power. New weight bases have been incorporated—the latest being for the year 1967—and various new measurement features have been added to improve analysis of national economic developments.

All of the revisions have been carried back in detail to 1954 and in a more limited fashion to 1939. The index comparison-base has been up-

dated from the 1957–59 average to the single year 1967. Conversion to the new comparison base has been carried back to the beginning of the index in January 1919.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is \$4.00 per copy; in quantities of 10 or more sent to one address, \$3.50 each.

BANKING DATA ON MAGNETIC TAPES

Selected data reported by individual banks to Federal banking agencies in their official Reports of Condition for June 1972 are now available to the public on 9-track, 800-bpi magnetic tape. The tape may be obtained at a cost of \$50 from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Information regarding the availability and price of similar tapes for June and December calls for the period June 1960 through December 1971 is given in the July BULLETIN, page 683.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period November 16, 1972, through December 15, 1972.

Florida

Margate Northwestern Bank of Broward County

Virginia

Roanoke First Virginia Bank of Roanoke Valley

Williamsburg ... Old Colony Bank and Trust Company

Wisconsin

Greendale Southridge Bank of Greendale

Announcements

CHANGES IN BOARD STAFF

The Board of Governors has announced the following changes in its official staff, effective January 1, 1973.

Joseph E. Kelleher, Director of the Division of Administrative Services, has been designated Assistant to the Board. Mr. Kelleher joined the Board's staff in 1937 and has served as the Director of Administrative Services since January 1958.

Walter W. Kreimann, who has been the Deputy Director of the Division of Administrative Services since his appointment to the Board's staff in February 1972, has been designated Director, Division of Administrative Services, succeeding Mr. Kelleher.

DEATH OF RESERVE BANK PRESIDENT

Mr. Aubrey N. Heflin, President of the Federal Reserve Bank of Richmond, died on January 16, 1973. He had served as President since April 1, 1968.

DESIGNATIONS AND APPOINTMENTS OF CHAIRMEN AND FEDERAL RESERVE AGENTS, DEPUTY CHAIRMEN, AND DIRECTORS

For list see pp. 37-42.

ELECTION OF CLASS A AND CLASS B DIRECTORS

For list see pp. 43-45.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS

For list see pp. 46-48.

CHANGE IN DISCOUNT RATE

The Board of Governors has approved actions by the directors of the 12 Federal Reserve Banks increasing the discount rates of those banks from 4½ per cent to 5 per cent, effective January 15.

This move is designed to bring the discount rate into better alignment with short-term market interest rates, which have risen substantially over recent months. The widened gap between the dis-

count rate and other sources of bank funds has contributed to a sharply increased level of borrowing by banks from the Federal Reserve in recent weeks. During the 4 weeks ending January 10, member bank borrowings averaged \$1.2 billion, about double the average level of borrowings for the period from early October through mid-December.

The Board's action raised the discount rate to the 5 per cent level that prevailed as of August 15, 1971, when the Government's economic stabilization program began. The discount rate is the rate charged member banks for borrowing from their district Reserve Bank for funds for temporary, seasonal, or emergency purposes.

The present increase of the discount rate is merely a passive adjustment to what has already happened to market interest rates and it, therefore, should not be the occasion for a further increase in interest rates.

EARNINGS AND EXPENSES OF THE FEDERAL RESERVE BANKS IN 1972

Preliminary figures received from the Federal Reserve Banks indicate that during 1972 their gross current earnings amounted to \$3,792 million. Expenses totaled \$414 million, leaving net current

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1972 AND 1971

In thousands of dollars

Item	1972	1971
Current earnings	3,792,334	3,723,370
Current expenses	414,606	377,185
Current net earnings	3,377,728	3,346,185
Net addition to, or deduction from (-), current net earnings	-49,616	94,266
Net earnings before payments to U.S. Treasury	3,328,112	3,440,451
Dividends paid	46,183	43,488
Payments to U.S. Treasury (interest on F. R. notes)	3,231,268	3,356,560
Transferred to surplus	50,661	40,403

earnings of \$3,378 million. With a \$50 million net deduction from profit and loss account (principally due to a \$52 million loss on foreign exchange transactions), net earnings before payments to the U.S. Treasury were \$3,328 million. Payments to the U.S. Treasury as interest on Federal Reserve notes amounted to \$3,231 million; statutory dividends to member banks, \$46 million; and additions to surplus accounts, \$51 million.

Under the policy adopted by the Board of Governors at the end of 1964, all net earnings after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital were paid to the U.S. Treasury as interest on Federal Reserve notes.

Compared with 1971, gross earnings were up \$69 million, or 2 per cent. The principal changes in earnings were as follows: on U.S. Government securities, an increase of \$76 million; on discounts and advances, a decrease of \$6 million.

Expenses in 1972 were up \$37 million, about 10 per cent, and dividends increased by nearly \$3 million.

PUBLICATION OF STAFF STUDY ON HOUSING

Federal Reserve Staff Study: Ways to Moderate Fluctuations in Housing Construction is available for distribution. This study, which consists of 23 individual papers prepared mainly by staff

members of the Board of Governors, examines possible methods of moderating short-term fluctuations in the supply of housing credit and hence in the volume of housing production. Residential construction and its financing are analyzed within the framework of over-all monetary policy, with particular reference to general credit conditions and competing demands for funds.

This study was initiated in 1970 at the request of Chairman Arthur F. Burns. Work on the bulk of the individual study papers was completed about a year later. Each paper was submitted to the Board of Governors for its consideration. Upon completion, the staff study in its entirety was made available to the Congress in the autumn of 1971.

A wide variety of topics is discussed in the papers: subjects include fiscal and monetary policies as related to housing; the role of private financial institutions—especially savings and loan associations—in the residential mortgage cycle; contingent participation and variable-rate mortgages on single-family houses; the effect of supplementary reserve requirements and credits on the flow of mortgage funds; and the effects of financial restraint on housing in selected countries.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is \$4.00 per copy; in quantities of 10 or more sent to one address, \$3.60 each.

**DESIGNATIONS AND APPOINTMENTS OF CHAIRMEN AND FEDERAL RESERVE AGENTS,
DEPUTY CHAIRMEN, AND DIRECTORS**

The Board of Governors of the Federal Reserve System announced its appointments at the Federal Reserve Banks and branches, effective January 1, 1973. The appointments are for Chairmen (who also serve as Federal Reserve Agents), Deputy Chairmen, and directors at the Federal Reserve Banks, and for directors at the Federal Reserve branches.

Names in capital letters indicate new appointments; all others are reappointments. Brief biographic data about each of the new appointees follow the listings.

CHAIRMEN AND FEDERAL RESERVE AGENTS
(One-year terms)

Federal Reserve Bank:

Boston	James S. Duesenberry, Chairman, Department of Economics, Harvard University, Cambridge, Massachusetts
New York	Roswell L. Gilpatric, Partner, Cravath, Swaine & Moore, Attorneys, New York, New York
Philadelphia	JOHN R. COLEMAN, President, Haverford College, Haverford, Pennsylvania
Cleveland	HORACE A. SHEPARD, Chairman of the Board and Chief Executive Officer, TRW Inc., Cleveland, Ohio
Richmond	Robert W. Lawson, Jr., Senior Partner, Charleston Office, Steptoe & Johnson, Charleston, West Virginia
Atlanta	John C. Wilson, President, Horne-Wilson, Inc., Atlanta, Georgia
Chicago	WILLIAM H. FRANKLIN, Chairman of the Board, Caterpillar Tractor Company, Peoria, Illinois
St. Louis	Frederic M. Peirce, Chairman of the Board, Chief Executive Officer, General American Life Insurance Company, St. Louis, Missouri
Minneapolis	David M. Lilly, Chairman of the Board, The Toro Company, Minneapolis, Minnesota
Kansas City	Robert W. Wagstaff, Chairman of the Board, President, Coca-Cola Bottling Company of Mid-America, Inc., Kansas City, Missouri
Dallas	Charles F. Jones, Dean, College of Business Administration, University of Houston, Houston, Texas
San Francisco	O. Meredith Wilson, President, Director, Center for Advanced Study in the Behavioral Sciences, Stanford, California

DEPUTY CHAIRMEN
(One-year terms)

Boston	Louis W. Cabot, Chairman of the Board, Cabot Corporation, Boston, Massachusetts
New York	FRANK R. MILLIKEN, President, Kennecott Copper Corporation, New York, New York
Philadelphia	EDWARD J. DWYER, Chairman, ESB, Incorporated, Philadelphia, Pennsylvania
Cleveland	J. Ward Keener, Chairman of the Executive Committee, The B. F. Goodrich Company, Akron, Ohio
Richmond	Stuart Shumate, President, Richmond, Fredericksburg and Potomac Railroad Company, Richmond, Virginia
Atlanta	H. G. Pattillo, President, Pattillo Construction Company, Inc., Decatur, Georgia

DEPUTY CHAIRMEN—Continued

Chicago	PETER B. CLARK, Chairman of the Board and President, The Evening News Association, Detroit, Michigan
St. Louis	Sam Cooper, President, HumKo Products, Division of Kraftco Corporation, Memphis, Tennessee
Minneapolis	Bruce B. Dayton, Chairman of the Board, Dayton Hudson Corporation, Minneapolis, Minnesota
Kansas City	ROBERT T. PERSON, President and Chairman of the Board, Public Service Company of Colorado, Denver, Colorado
Dallas	JOHN LAWRENCE, Chairman of the Board, Dresser Industries, Inc., Dallas, Texas
San Francisco	JOSEPH F. ALIBRANDI, President, Whittaker Corporation, Los Angeles, California

FEDERAL RESERVE BANK DIRECTORS¹
(Three-year terms unless otherwise indicated)

Boston	Louis W. Cabot (see above)
New York	FRANK R. MILLIKEN (see above)
Philadelphia	EDWARD J. DWYER (see above)
Cleveland	OTIS A. SINGLETARY, President, University of Kentucky, Lexington, Kentucky
Richmond	Robert W. Lawson, Jr., (see above)
Atlanta	F. Evans Farwell, President, Milliken and Farwell, Inc., New Orleans, Louisiana
Chicago	PETER B. CLARK (see above)
St. Louis	Sam Cooper (see above)
Minneapolis	David M. Lilly (see above)
Kansas City	HAROLD W. ANDERSEN, President, World Publishing Company, Omaha, Nebraska
Dallas	CHARLES T. BEAIRD, President, Beard-Poulan Inc., Shreveport, Louisiana
San Francisco	JOSEPH F. ALIBRANDI (see above)

FEDERAL RESERVE BANK BRANCH DIRECTORS²
(Three-year terms unless otherwise indicated)

Federal Reserve Bank
and Branch:

<i>New York</i>	
Buffalo	DONALD R. NESBITT, Owner, Silver Creek Farms, Albion, New York
<i>Cleveland</i>	
Cincinnati	Phillip R. Shriver, President, Miami University, Oxford, Ohio
Pittsburgh	DOUGLAS GRYMES, President, Koppers Company, Inc., Pittsburgh, Pennsylvania
<i>Richmond</i>	
Baltimore	DAVID W. BARTON, JR., President, Barton-Gillet Company, Baltimore, Maryland

¹Each Federal Reserve Bank has a board of directors consisting of nine members, divided equally into three classes, known as Classes A, B, and C. The six A and B directors are elected by the member banks, and the three C directors are appointed by the Board of Governors. One term in each class of directors expires at the end of each year. The Board of Governors appoints the Chairmen and Deputy Chairmen from among the Class C directors.

²Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of Governors of the Federal Reserve System.

FEDERAL RESERVE BANK BRANCH DIRECTORS—Continued

Richmond—continued

Charlotte Robert C. Edwards, President, Clemson University, Clemson, South Carolina

Atlanta

Birmingham Frederick G. Koenig, Jr., President, Alabama By-Products Corporation, Birmingham, Alabama

Jacksonville JAMES E. LYONS, President, Lyons Industrial Corporation, Winter Haven, Florida

Nashville John C. Tune, Partner, Butler, McHugh, Butler, Tune & Watts, Nashville, Tennessee

New Orleans Edwin J. Caplan, President, Caplan's Men's Shops, Inc., Alexandria, Louisiana

Chicago

Detroit W.M. Defoe, Chairman of the Board, Defoe Shipbuilding Company, Bay City, Michigan

TOM KILLEFER, Vice President-Finance and General Counsel, Chrysler Corporation, Detroit, Michigan (term expiring December 31, 1974)

St. Louis

Little Rock W. M. PIERCE, President, Arkansas Business Development Corporation, Little Rock, Arkansas

Louisville James H. Davis, Chairman and Chief Executive Officer, Porter Paint Co., Louisville, Kentucky

Memphis JEANNE L. HOLLEY, Assistant Professor of Business Education & Office Administration, University of Mississippi, University, Mississippi

Minneapolis

(two-year term)

Helena Warren B. Jones, Secretary-Treasurer, Two-Dot Land and Livestock Company, Harlowton, Montana

Kansas City

(two-year terms)

Denver EDWARD R. LUCERO, Executive Director, Colorado Economic Development Association, Denver, Colorado

Oklahoma City HARLEY CUSTER, General Manager, Oklahoma Livestock Marketing Association, Oklahoma City, Oklahoma

Omaha EDWARD F. OWEN, President, Paxton & Vierling Steel Company, Omaha, Nebraska

Dallas

El Paso Allan B. Bowman, President, Banner Mining Company, Tucson, Arizona

Houston ALVIN I. THOMAS, President, Prairie View A & M College, Prairie View, Texas

San Antonio PETE MORALES, JR., Vice President and General Manager, Morales Feedlots, Inc., Devine, Texas

San Francisco

Los Angeles Leland D. Pratt, President, Kelco Company, San Diego, California

(two-year terms)

Portland John R. Howard, President, Lewis and Clark College, Portland, Oregon

Salt Lake City SAM H. BENNION, Secretary-Treasurer, V-1 Oil Co., Inc., Idaho Falls, Idaho

Seattle C. Henry Bacon, Jr., Vice Chairman of the Board, Simpson Timber Company, Seattle, Washington

BIOGRAPHIC DATA

Federal Reserve Bank of New York

FRANK R. MILLIKEN, New York, New York, who had been serving as a Class B director of the Federal Reserve Bank of New York since January 1, 1972, was appointed Class C director for a three-year term beginning January 1, 1973, and as Deputy Chairman of the Bank for the year 1973. He is President of the Kennecott Copper Corporation of New York City. He succeeds Ellison L. Hazard, Chairman of the Executive Committee of Continental Can Company, Inc., of New York City, whose terms as a director and Deputy Chairman expired effective December 31, 1972.

DONALD R. NESBITT, Albion, New York, was appointed a director of the Buffalo Branch of the Federal Reserve Bank of New York for a three-year term beginning January 1, 1973. He is the owner of Silver Creek Farms in Albion. As a director he succeeds Morton Adams, President of Curtice-Burns, Inc., of Rochester, New York, whose term as a director expired December 31, 1972.

Federal Reserve Bank of Philadelphia

JOHN R. COLEMAN, Haverford, Pennsylvania, who has been serving as a Board-appointed director of the Federal Reserve Bank of Philadelphia since January 1, 1971, and had been Deputy Chairman of the Bank since January 1, 1972, was designated Chairman for the year 1973. He is President of Haverford College. As Chairman he succeeds Bayard L. England of Ventnor, New Jersey, whose terms as Chairman and as a director expired December 31, 1972.

EDWARD J. DWYER, Philadelphia, Pennsylvania, who has been serving as a Class B director of the Federal Reserve Bank of Philadelphia since January 1, 1967, was appointed as a Class C director for a three-year term beginning January 1, 1973, and as Deputy Chairman for the year 1973. He is Chairman of ESB, Incorporated of Philadelphia. As a director he succeeds Bayard L. England (see preceding paragraph) and as Deputy Chairman he succeeds John R. Coleman (see preceding paragraph).

Federal Reserve Bank of Cleveland

HORACE A. SHEPARD, Cleveland, Ohio, who has been serving as a Board-appointed director of the Federal Reserve Bank of Cleveland since January 1, 1969, was appointed Chairman of the Bank for the year 1973. He is Chairman of the Board and Chief Executive Officer of TRW Inc., of Cleveland. As Chairman he succeeds Albert G. Clay, President, Clay Tobacco Company, Mt. Sterling, Kentucky, whose terms as Chairman and as a director expired December 31, 1972.

OTIS A. SINGLETARY, Lexington, Kentucky, was appointed a Class C director of the Federal Reserve Bank of Cleveland for a three-year term beginning January 1, 1973. He is President of the University of Kentucky at Lexington. As a director he succeeds Albert G. Clay (see preceding paragraph).

DOUGLAS GRYMES, Pittsburgh, Pennsylvania, was appointed a director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland for a three-year term beginning January 1, 1973. He is President of the Koppers Company, Inc., of Pittsburgh. As a director he succeeds Lawrence E. Walkley of Pittsburgh, whose term as a director expired December 31, 1972.

Federal Reserve Bank of Richmond

DAVID W. BARTON, JR., Baltimore, Maryland, was appointed a director of the Baltimore Branch of the Federal Reserve Bank of Richmond for a three-year term beginning January 1, 1973. He is President of the Barton-Gillet Company of Baltimore. As a director he succeeds Arnold J. Kleff, Jr., of Baltimore, whose term as a director expired December 31, 1972.

Federal Reserve Bank of Atlanta

JAMES E. LYONS, Winter Haven, Florida, was appointed a director of the Jacksonville Branch of the Federal Reserve Bank of Atlanta for a three-year term beginning January 1, 1973. He is President of Lyons Industrial Corporation of Winter Haven. As a director he succeeds Henry K. Stanford, President of the University of Miami, Coral Gables, Florida, whose term as a director expired December 31, 1972.

BIOGRAPHIC DATA—Continued

Federal Reserve Bank of Chicago

WILLIAM H. FRANKLIN, Peoria, Illinois, who has been serving as a Board-appointed director of the Federal Reserve Bank of Chicago since January 1, 1969, and had been Deputy Chairman of the Bank since January 1, 1970, was designated Chairman of the Bank for the year 1973. He is Chairman of the Board of the Caterpillar Tractor Company of Peoria. As Chairman he succeeds Emerson G. Higdon, Chairman of the Board of the Maytag Company of Newton, Iowa, whose terms as Chairman and as a director expired December 31, 1972.

PETER B. CLARK, Detroit, Michigan, who has been serving as a Board-appointed director and as Chairman of the Detroit Branch of the Federal Reserve Bank of Chicago since January 1, 1969, was appointed a Class C director of the Federal Reserve Bank of Chicago for a three-year term beginning January 1, 1973, and Deputy Chairman of the Bank for the year 1973. He is Chairman of the Board and President of the Evening News Association of Detroit. As a director he succeeds Emerson G. Higdon (see preceding paragraph) and as Deputy Chairman he succeeds William H. Franklin (see preceding paragraph).

TOM KILLEFER, Detroit, Michigan, was appointed a director of the Detroit Branch of the Federal Reserve Bank of Chicago for the remainder of a term expiring December 31, 1974. He is Vice President-Finance and General Counsel of the Chrysler Corporation of Detroit. As a director he succeeds Peter B. Clark (see preceding paragraph).

Federal Reserve Bank of St. Louis

W. M. PIERCE, Little Rock, Arkansas, was appointed a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1973. He is President of the Arkansas Business Development Corporation of Little Rock. As a director he succeeds Jake Hartz, Jr., President of Jacob Hartz Seed Co., Inc., of Stuttgart, Arkansas, whose term as a director expired December 31, 1972.

JEANNE L. HOLLEY, University, Mississippi, was appointed a director of the Memphis Branch of the Federal Reserve Bank of St. Louis for a three-year term beginning January 1, 1973. She is Assistant Professor of Business Education & Office Administration at the University of Mississippi at University. As a director she succeeds William L. Giles, President of Mississippi State University at State College, Mississippi, whose term as a director expired December 31, 1972.

Federal Reserve Bank of Kansas City

ROBERT T. PERSON, Denver, Colorado, who has been serving as a Board-appointed director of the Federal Reserve Bank of Kansas City since January 1, 1971, was appointed Deputy Chairman of the Bank for the year 1973. He is President and Chairman of the Board of the Public Service Company of Colorado in Denver. As Deputy Chairman he succeeds Willard D. Hosford, Jr., of Omaha, Nebraska, whose terms as Deputy Chairman and as a director expired December 31, 1972.

HAROLD W. ANDERSEN, Omaha, Nebraska, was appointed a Class C director of the Federal Reserve Bank of Kansas City for a three-year term beginning January 1, 1973. He is President of the World Publishing Company of Omaha. As a director he succeeds Willard D. Hosford, Jr. (see preceding paragraph).

EDWARD R. LUCERO, Denver, Colorado, was appointed a director of the Denver Branch of the Federal Reserve Bank of Kansas City for a two-year term beginning January 1, 1973. He is Executive Director of the Colorado Economic Development Association of Denver. As a director he succeeds David R. C. Brown, President, of the Aspen Skiing Corporation, Aspen, Colorado, whose term as a director expired December 31, 1972.

HARLEY CUSTER, Oklahoma City, Oklahoma, was appointed a director of the Oklahoma City Branch of the Federal Reserve Bank of Kansas City for a two-year term beginning January 1, 1973. He is General Manager of the Oklahoma Livestock Marketing Association in Oklahoma City. As a director he succeeds Florin W. Zaloudek, Manager of J. I. Case Implements, Kremlin, Oklahoma, whose term as a director expired December 31, 1972.

BIOGRAPHIC DATA—Continued

EDWARD F. OWEN, Omaha, Nebraska, was appointed a director of the Omaha Branch of the Federal Reserve Bank of Kansas City for a two-year term beginning January 1, 1973. He is President of Paxton & Vierling Steel Company of Omaha. As a director he succeeds Henry Y. Kleinkauf, Chairman of the Board and Chief Executive Officer of Natkin & Company of Omaha, whose term as a director expired December 31, 1972.

Federal Reserve Bank of Dallas

JOHN LAWRENCE, Dallas, Texas, who has been serving as a Board-appointed director of the Federal Reserve Bank of Dallas since January 1, 1971, was appointed Deputy Chairman of the Bank for the year 1973. He is Chairman of the Board of Dresser Industries, Inc., of Dallas. He succeeds Philip G. Hoffman, President of the University of Houston at Houston, whose terms as Deputy Chairman and as a director expire December 31, 1972.

CHARLES T. BEAIRD, Shreveport, Louisiana, was appointed a Class C director of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1973. He is President of Beard-Poulan, Inc., of Shreveport. As a director he succeeds Philip G. Hoffman (see preceding paragraph).

ALVIN I. THOMAS, Prairie View, Texas, was appointed a director of the Houston Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1973. He is President of Prairie View A & M College, at Prairie View. As a director he succeeds George T. Morse, Jr., Vice Chairman of the Board and Chief Operating Officer of Peden Industries, Inc., of Houston, whose term expired December 31, 1972.

PETE MORALES, JR., Devine, Texas, was appointed a director of the San Antonio Branch of the Federal Reserve Bank of Dallas for a three-year term beginning January 1, 1973. He is Executive Vice President and General Manager of Morales Feedlots, Inc., of Devine. As a director he succeeds W. A. Belcher, veterinarian and rancher of Bracketville, Texas, whose term expired December 31, 1972.

Federal Reserve Bank of San Francisco

JOSEPH F. ALIBRANDI, Los Angeles, California, was appointed a Class C director of the Federal Reserve Bank of San Francisco for a three-year term beginning January 1, 1973, and as Deputy Chairman of the Bank for 1973. He is President of the Whittaker Corporation of Los Angeles. He succeeds S. Alfred Halgren, Senior Vice President of the Carnation Company, Los Angeles, whose terms as a director and as Deputy Chairman expired December 31, 1972.

SAM H. BENNION, Idaho Falls, Idaho, was appointed a director of the Salt Lake City Branch of the Federal Reserve Bank of San Francisco for a two-year term beginning January 1, 1973. He is Secretary-Treasurer of the V-1 Oil Company, Inc., of Idaho Falls. As a director he succeeds John H. Breckenridge, who resigned as a director effective October 19, 1972.

ELECTION OF CLASS A AND CLASS B DIRECTORS

The Federal Reserve Banks have announced the results of the annual elections by their member banks of Class A and Class B directors as shown below. The directors have been elected to serve for three years, beginning January 1, 1973, except as otherwise indicated. Names in capital letters indicate new appointments; all others are reappointments.

Boston

Class A

WILLIAM M. HONEY, President, The Martha's Vineyard National Bank, Vineyard Haven, Massachusetts. (Re-elected)

Class B

ALFRED W. VAN SINDEREN, President, The Southern New England Telephone Company, New Haven, Connecticut. Mr. Van Sinderen succeeds F. Ray Keyser, Jr., Vice President, Vermont Marble Company, Proctor, Vermont.

New York

Class A

DAVID C. ROCKEFELLER, Chairman of the Board, The Chase Manhattan Bank, New York, New York. Mr. Rockefeller succeeds William C. Renchard, Chairman of the Board, Chemical Bank, New York, New York. (1 year of term remaining)

NEWMAN E. WAIT, JR., President, Adirondack Trust Company, Saratoga Springs, New York. Mr. Wait succeeds Arthur S. Hamlin, President, The Canandaigua National Bank and Trust Company, Canandaigua, New York.

Class B

JACK B. JACKSON, President, J. C. Penney Company, Inc., New York, New York. Mr. Jackson succeeds Maurice R. Forman, Chairman of the Board, R. Forman Co., Rochester, New York.

Philadelphia

Class A

JOHN H. HASSLER, President, The City National Bank and Trust Company of Salem, Salem, New Jersey. Mr. Hassler succeeds William R. Cosby, Chairman of the Board, Princeton Bank and Trust Company, Princeton, New Jersey.

Class B

BERNARD D. BROEKER, Executive Vice President, Bethlehem Steel Corporation, Bethlehem, Pennsylvania. Mr. Broeker succeeds Edward J. Dwyer, Chairman, Chief Executive Officer, ESB Incorporated, Philadelphia, Pennsylvania.

Cleveland

Class A

DAVID L. BRUMBACK, JR., President, Van Wert National Bank, Van Wert, Ohio. (Re-elected)

Class B

RENE C. MC PHERSON, Chairman, Chief Executive Officer, Dana Corporation, Toledo, Ohio. Mr. McPherson succeeds R. Stanley Laing, Dayton, Ohio.

Richmond

Class A

JOHN H. LUMPKIN, Chairman, Chief Executive Officer, The South Carolina National Bank, Columbia, South Carolina. Mr. Lumpkin succeeds Hugh A. Curry, President, Chief Executive Officer, The Kanawha Valley Bank, Charleston, West Virginia.

Class B

OSBY L. WEIR, General Manager, Metropolitan Washington-Baltimore Area, Sears, Roebuck and Co., Bethesda, Maryland. Mr. Weir succeeds Robert S. Small, President, Dan River, Inc., Greenville, South Carolina.

ELECTION OF CLASS A AND CLASS B DIRECTORS—Continued

Atlanta

Class A

SAM I. YARNALL, Chairman, American National Bank and Trust Company, Chattanooga, Tennessee. Mr. Yarnall succeeds William B. Mills, The Florida National Bank, Jacksonville, Florida.

Class B

GEORGE W. JENKINS, Chairman, Publix Super Markets, Inc., Lakeland, Florida. Mr. Jenkins succeeds Philip J. Lee, Vice President, Tropicana Products, Inc., Tampa, Florida.

Chicago

Class A

EDWARD BYRON SMITH, Chairman of the Board, The Northern Trust Company, Chicago, Illinois. (Re-elected)

Class B

OSCAR G. MAYER, Chairman of the Board, Oscar Mayer & Co., Madison, Wisconsin. Mr. Mayer succeeds William H. Davidson, President, Harley Davidson Motor Co., Inc., Milwaukee, Wisconsin.

St. Louis

Class A

WM. E. WEIGEL, Executive Vice President, First National Bank and Trust Company, Centralia, Illinois. Mr. Weigel succeeds Cecil W. Cupp, Jr., President, Arkansas Bank & Trust Company, Hot Springs, Arkansas.

Class B

EDWARD J. SCHNUCK, Chairman of the Board, Schnuck Markets, Inc., Bridgeton, Missouri. (Re-elected)

Minneapolis

Class A

DAVID M. SMITH, President, First National Bank, River Falls, Wisconsin. Mr. Smith succeeds John Bosshard, Executive Vice President, First National Bank of Bangor, Bangor, Wisconsin.

Class B

DAVID M. HESKETT, President, Montana-Dakota Utilities Co., Bismarck, North Dakota. (Re-elected)

Kansas City

Class A

ROGER D. KNIGHT, JR., Chairman of the Board, United Banks of Colorado, Inc., Denver, Colorado. (Re-elected).

Class B

CECIL O. EMRICH, President, C.O. Emrich Enterprises, Norfolk, Nebraska. (Re-elected).

Dallas

Class A

ROBERT H. STEWART, III, Chairman of the Board, First National Bank in Dallas, Dallas, Texas. Mr. Stewart succeeds Murray Kyger, Chairman of the Executive Committee, The First National Bank of Fort Worth, Fort Worth, Texas.

Class B

THOMAS W. HERRICK, President, Mesa Agro Inc., Amarillo, Texas. Mr. Herrick succeeds C.A. Tatam, Jr., Chairman of the Board and Chief Executive Officer, Texas Utilities Company, Dallas, Texas.

ELECTION OF CLASS A AND CLASS B DIRECTORS—Continued

San Francisco

Class A

A. W. CLAUSEN, President and Chief Executive Officer, Bank of America NT&SA, San Francisco, California. Mr. Clausen succeeds Ralph J. Voss, President, First National Bank of Oregon, Portland, Oregon. (1 year of term remaining)

JAMES E. PHILLIPS, President, First National Bank in Port Angeles, Port Angeles, Washington. Mr. Phillips succeeds Carroll F. Byrd, Chairman of the Board, President, The First National Bank of Willows, Willows, California.

Class B

JOSEPH ROSENBLATT, Honorary Chairman of the Board, The Eimco Corporation, Salt Lake City, Utah. (Re-elected)

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS¹

The Federal Reserve Banks have announced the following appointments of branch directors. The appointments have been made for terms of three years beginning January 1, 1973, except as otherwise indicated. Names in capital letters indicate new appointments; all others are reappointments.

Federal Reserve Bank
and Branch:

New York

Buffalo

CLAUDE F. SHUCHTER, President and Chief Executive Officer, Manufacturers and Traders Trust Company, Buffalo, New York, succeeds David J. Laub, Chairman of the Board, Marine Midland Bank-Western, Buffalo, New York.

Cleveland

Cincinnati

PAUL W. CHRISTENSEN, JR., President, The Cincinnati Gear Company, Cincinnati, Ohio.

ROBERT E. HALL, President, The First National Bank and Trust Company, Troy, Ohio.

Pittsburgh

ROBINSON F. BARKER, Chairman of the Board, Chief Executive Officer, PPG Industries, Inc., Pittsburgh, Pennsylvania.

JERRY A. HALVERSON, President, The First National Bank and Trust Company of Wheeling, Wheeling, West Virginia, succeeds John W. Bingham, President, The Merchants and Manufacturers National Bank of Sharon, Sharon, Pennsylvania.

Richmond

Baltimore

J. R. CHAFFINCH, JR., President, The Denton National Bank, Denton, Maryland.

Charlotte

WILLIAM W. BRUNER, Chairman and President, First National Bank of South Carolina, Columbia, South Carolina, succeeds J. Willis Cantey, Chairman, Chief Executive Officer, The Citizens & Southern National Bank of South Carolina, Columbia, South Carolina.

Atlanta

Birmingham

JOHN T. OLIVER, President, First National Bank, Jasper, Alabama, succeeds Harvey Terrell, Chairman of the Board, The First National Bank of Birmingham, Birmingham, Alabama.

Jacksonville

MICHAEL J. FRANCO, President, City National Bank of Miami, Miami, Florida, succeeds James C. Richardson, Chairman of the Board, President, The Commercial Bank and Trust Company of Ocala, Ocala, Florida.

Nashville

W. BRYAN WOODARD, President, Kingsport National Bank, Kingsport, Tennessee, succeeds Thomas C. Mottern, President, Hamilton National Bank of Johnson City, Johnson City, Tennessee (2 years of term remains).

ROBERT E. CURRY, President, First National Bank of Pulaski, Pulaski, Tennessee, succeeds Edward C. Huffman, Chairman of the Board, President, First National Bank, Shelbyville, Tennessee.

¹Federal Reserve branches have either five or seven directors, of whom a majority are appointed by the board of directors of the parent Federal Reserve Bank, and the others are appointed by the Board of Governors of the Federal Reserve System. The announcement of appointments of branch directors made by the Board of Governors is published on pp. 38-39.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS—Continued

Atlanta—continued

New Orleans

ERNEST F. LADD, JR., Chairman of the Board, The Merchants National Bank, Mobile, Alabama, succeeds H. P. Heidelberg, President, Pascagoula Moss Point Bank, Pascagoula, Mississippi.

Chicago

Detroit

JOSEPH B. FOSTER, President and Chief Executive Officer, Ann Arbor Bank, Ann Arbor, Michigan, succeeds George L. Whyel, President, Genesee Merchants Bank & Trust Company, Flint, Michigan.

ROLAND A. MEWHORT, Chairman, Manufacturers National Bank of Detroit, Detroit, Michigan.

St. Louis

Little Rock

THOMAS G. VINSON, President, First National Bank, Batesville, Arkansas, succeeds Wayne A. Stone, Chairman of the Board and Chief Executive Officer, Simmons First National Bank of Pine Bluff, Pine Bluff, Arkansas.

FIELD WASSON, President, The First National Bank, Siloam Springs, Arkansas, succeeds Ellis E. Shelton, President, The First National Bank of Fayetteville, Fayetteville, Arkansas.

Louisville

HERBERT J. SMITH, President, The American National Bank & Trust Company of Bowling Green, Bowling Green, Kentucky.

TOM G. VOSS, President, The Seymour National Bank, Seymour, Indiana, succeeds Paul Chase, President, The Bedford National Bank, Bedford, Indiana.

Memphis

RIDLEY ALEXANDER, Chairman of the Board, The Second National Bank of Jackson, Jackson, Tennessee, succeeds James R. Fitzhugh, Executive Vice President, Bank of Ripley, Ripley, Tennessee.

C. BENNETT HARRISON, Chairman of the Board, Union Planters National Bank of Memphis, Memphis, Tennessee, succeeds Wayne W. Pyeatt, President, National Bank of Commerce, Memphis, Tennessee.

Minneapolis (2-year terms)

Helena

ROBERT I. PENNER, President, Citizens First National Bank, Wolf Point, Montana.

JOHN REICHEL, President, First National Bank in Bozeman, Bozeman, Montana, succeeds E. Lowry Kunkel, President, First National Bank, Butte, Montana.

Kansas City (2-year terms)

Denver

DALE R. HINMAN, Chairman of the Board, The Greeley National Bank, Greeley, Colorado.

ROBERT L. TRIPP, President, Albuquerque National Bank, Albuquerque, New Mexico.

FEDERAL RESERVE BANK APPOINTMENTS OF BRANCH DIRECTORS—Continued

Kansas City (2-year terms)—continued

Oklahoma City HUGH C. JONES, Executive Vice President, The Bank of Woodward, Woodward, Oklahoma.
 MARVIN MILLARD, Chairman of the Board, National Bank of Tulsa, Tulsa, Oklahoma.

Omaha EDWARD W. LYMAN, President, The United States National Bank of Omaha, Omaha, Nebraska.

Dallas

El Paso REED H. CHITTIM, President and Chief Executive Officer, First National Bank of Lea County, Hobbs, New Mexico, succeeds Archie B. Scott, President, The Security State Bank of Pecos, Pecos, Texas.
 SAM D. YOUNG, JR., President, El Paso National Bank, El Paso, Texas.

Houston BOOKMAN PETERS, President, The City National Bank of Bryan, Bryan, Texas, succeeds W. C. Thornell, Chairman of the Board, President, The First National Bank of Port Arthur, Port Arthur, Texas.
 NAT S. ROGERS, President, First City National Bank of Houston, Houston, Texas, succeeds John E. Whitmore, Chairman of the Board, Chief Executive Officer, Texas Commerce Bank National Association, Houston, Texas.

San Antonio RICHARD W. CALVERT, President, National Bank of Commerce of San Antonio, San Antonio, Texas, succeeds Tom C. Frost, Jr., Chairman of the Board, The Frost National Bank of San Antonio, San Antonio, Texas.
 W. O. ROBERSON, President, First National Bank at Brownsville, Brownsville, Texas.

San Francisco

Los Angeles W. GORDON FERGUSON, President, National Bank of Whittier, Whittier, California.

(2-year terms)

Portland FRANK L. SERVOSS, President, Crater National Bank of Medford, Medford, Oregon.
 JAMES H. STANARD, Vice President, First National Bank of McMinnville, McMinnville, Oregon.

Salt Lake City RODERICK H. BROWNING, President, Bank of Utah, Ogden, Utah.
 ROY W. SIMMONS, President, Zions First National Bank, Salt Lake City, Utah.

Seattle HARRY S. GOODFELLOW, President, Old National Bank of Washington, Spokane, Washington, succeeds A. E. Saunders, Vice Chairman of the Board, Puget Sound National Bank, Tacoma, Washington.
 ROBERT C. WHITWAM, President, American National Bank of Edmonds, Edmonds, Washington, succeeds Philip H. Stanton, President, Washington Trust Bank, Spokane, Washington.

Announcements

FOREIGN BANKING STUDY

The Board of Governors of the Federal Reserve System announced on February 1, 1973, that it had been reviewing for some time its regulations applicable to foreign activities of U.S. banks and the regulatory issues posed by U.S. activity of foreign banks.

The need for a review of international banking regulation results from a substantial growth in recent years in the size and scope of activities of foreign banks that have entered the United States and the dramatic increase in foreign operations of U.S. banks. For example, in the period 1965 to 1972, assets of agencies and branches of foreign banks located in the United States increased threefold to about \$13 billion, and the assets of foreign branches of U.S. banks increased about eightfold to about \$75 billion.

Because of its longstanding regulatory responsibilities over U.S. banks operating abroad, the Board has had policies in this field of activity under consideration for some time. The Board is also giving increased attention to the U.S. operations of foreign banks, as a result of both increased activity in this area and the responsibilities assigned to the Board under the 1970 amendments to the Bank Holding Company Act.

Board Members George W. Mitchell and J. Dewey Daane recently visited several European central banks to discuss the international activities of multinational banks.

The review announced by the Board is focused on structural aspects of U.S. activities of foreign banks and foreign operations of U.S. banks; it does not extend to the volume and types of international flows of funds through such institutions.

The Federal Reserve will be carrying forward its review in these fields with the assistance of a Steering Committee made up of three members of the Board of Governors and three Presidents of the Federal Reserve Banks. They are Governor Mitchell, Chairman, and Governors Daane and Jeffrey M. Bucher and Presidents Alfred Hayes of the Federal Reserve Bank of New York, Bruce K. MacLaury of the Federal Reserve Bank of Minneapolis, and John J. Balles of the Federal Reserve Bank of San Francisco.

The review will include consultations with other central banks and other officials on matters of common interest. Thereafter, to the extent required by consideration of effective and equitable regulation of international banking, the Board expects to consider the possible need for legislation and to propose changes in its own governing regulations. Ample time will be afforded for public comment on any proposed regulatory changes.

BALANCE OF PAYMENTS PROGRAM: REVISED GUIDELINES

The Voluntary Foreign Credit Restraint (VFCR) Guidelines, as issued by the Board of Governors on November 11, 1971, and as amended by the Board on March 9, November 7, and December 1, 1972, are now available in consolidated form. These guidelines are provided in connection with the foreign credit and investment activities of U.S. banks and nonbank financial institutions. Copies will be made available to financial institutions through the Federal Reserve Banks in their districts. Additional copies may be obtained on request from the Reserve Banks or from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The following are summaries of the recent interpretations of the Voluntary Foreign Credit Restraint (VFCR) Guidelines that have been issued, under authority delegated to Governor Andrew F. Brimmer, to the Federal Reserve Banks. (For text of Guidelines, see the BULLETINS for November 1971, pp. 906-16; for March 1972, p. 321; for November 1972, p. 995-96; and for December 1972, p. 1037.)

Lease of U.S. Equipment for Use in the United States

Guideline provision

“Export credit” means any claim on a foreigner for the demonstrable financing (a) of the export

of U.S. goods or (b) of the performance abroad of U.S. services (IV-3-first paragraph).

Interpretation

A credit extended to a company in a foreign country to finance the lease of U.S. equipment to be used in the United States by its U.S. subsidiary would not be an export credit.

Credit to Finance Freight of Foreign Products Carried in U.S.-Operated Vessels

Guideline provision

U.S. services performed abroad should be services performed outside the United States by U.S. domiciled or U.S. incorporated companies or by U.S. nationals temporarily resident abroad (IV-3-fifth paragraph).

Interpretation

A credit to a foreigner to finance ocean freight to be paid on petroleum produced in another foreign country by a subsidiary of a U.S. oil company would be an export credit (for services), provided the vessel was operated by a company established in the United States. The credit would *not* qualify as an export credit if the company operating the vessel were a foreign-organized subsidiary of a U.S. corporation; for the credit to qualify, the company operating the vessel would have to be a U.S. domiciled or U.S. incorporated company, which could be a U.S. subsidiary of a foreign company. Also, for the credit to qualify, it would *not* be sufficient for the vessel to be *owned* by a U.S. company (including a U.S. subsidiary of a foreign company); the vessel would have to be *operated* by a U.S. company (which might be a U.S. subsidiary of a foreign company).

Purchase of Export Credits from Foreign Financial Institutions

Guideline provision

Export credits are exempted from restraint (II-B-1-a and III-E-1). Being claims on foreigners held for an institution's own account, export credits are specifically defined in the Guidelines. Export credit may be indirect, that is, extended through a foreign financial institution, and may be extended through purchase of documented loan paper (IV-3).

Interpretation

A debt obligation that represents a credit granted initially by a foreign financial institution to another foreigner to finance the purchase of U.S. exports is an export credit of a U.S. bank, or U.S. nonbank financial institution, that purchases the foreign-

created debt instrument, provided that it meets the conditions set forth in the Guidelines (essentially, that it is related to "specific, individual, identifiable exports for which . . . documents evidencing the exports are obtainable").

Export Credit Covering Goods with Foreign Components or Raw Materials

Guideline provision

For purposes of the export credit definition, U.S. goods are goods grown, produced, or manufactured in the United States. A particular credit should be regarded as an export credit only if 85 per cent or more of its total amount finances U.S. exports (IV-3-fourth and sixth paragraphs).

Interpretation

(1) Components

When clearly identifiable foreign components are incorporated into a product exported from the United States, the export financing may be structured so as to distinguish the foreign from the domestic components. If this is to be done, there should be two (or more) notes representing the aggregate debt obligations of the foreign buyer or importer. The note (or notes) applying to the U.S. components would qualify as export credit.

For example, this technique could be used in the financing of aircraft in which the airframe was manufactured abroad and the engines manufactured in the United States. The export credits would be represented by notes covering only the U.S.-made engines.

Once the value of the domestic components has been ascertained, the 85 per cent formula should not be used to expand that value for purposes of determining the amount eligible to be treated as export credit. That formula was included in the Guidelines to minimize the administrative burden of calculating or verifying export content of a credit; when fractional export content can be ascertained for the interpretation concerning foreign content, the 85 per cent formula is not applicable.

(2) Raw materials

When an article exported is manufactured in the United States in whole or in part from foreign raw materials or with foreign components that are not substantial or clearly identifiable, a determination must be made as to whether the resulting product has been "substantially transformed" in the United States.

To illustrate the question: a generator manufactured in the United States utilizes substantial amounts of Chilean copper and is manufactured

according to engineering designs produced in the United Kingdom. A determination would have to be made as to whether the resulting generator should be considered a U.S. article. In a case such as this, it would not be feasible or perhaps useful to ascertain the portion of final value attributable to the foreign raw materials or to the foreign engineering services. However, it might be feasible to determine whether the U.S. manufacture resulted in a "substantial transformation" in the United States of the foreign materials.

**ADMISSION OF STATE BANKS TO MEMBERSHIP IN
THE FEDERAL RESERVE SYSTEM**

The following banks were admitted to membership in the Federal Reserve System during the period January 16, 1973, through February 15, 1973.

Georgia

Stone Mountain....The Citizens Bank of
Georgia

Louisiana

New OrleansColonial Bank

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the following changes and appointments, effective January 7, 1973:

Joseph R. Coyne, who has served as a Special Assistant to the Board since 1968, has been named an Assistant to the Board.

Robert S. Plotkin, who was appointed an Adviser in the Legal Division in January 1972, has been designated an Assistant General Counsel.

Griffith L. Garwood, Chief of the Truth-in-Lending Section, has been appointed an Adviser in the Division of Supervision and Regulation. Mr. Garwood, who received an LL.B. degree from the University of Michigan Law School, joined the Board's staff in 1968.

John Nicoll, who was appointed to the Board's staff in June 1972, has been named an Assistant General Counsel. A graduate of Yale Law School, Mr. Nicoll was with the Empire National Bank, Newburgh, New York, prior to his employment at the Board.

Andrew F. Oehmann, who joined the Board's staff in August 1972, has been appointed Special Assistant to the General Counsel. A graduate of Georgetown University Law School, Mr. Oehmann has engaged in the private practice of law in Washington, D.C., and was with the Department of Justice for a number of years.

In addition the Board has named Chester B. Feldberg, who is on loan to the Board, as an Assistant Secretary in the Office of the Secretary on a temporary basis, effective March 6. He replaces Michael A. Greenspan who resigned.

CHANGE IN THE DISCOUNT RATE

The Board of Governors on February 23, 1973, approved actions by the directors of the Federal Reserve Banks of New York, Philadelphia, St. Louis, and Kansas City increasing the discount rates of those Banks from 5 per cent to 5½ per cent, effective February 26.

A similar increase was approved for the Federal Reserve Banks of Cleveland, Atlanta, Richmond, Dallas, Chicago, and Minneapolis, effective February 27; for the Federal Reserve Bank of Boston, effective February 28; and for the

Federal Reserve Bank of San Francisco, effective March 2. At that time, the rate was 5½ per cent at all Reserve Banks.

This action was taken in recognition of the recent rise in short-term open market interest rates which is an outgrowth of strong credit demands generated by continued rapid economic expansion. In this situation and in view of recent developments in the foreign exchange markets, the Board concluded that an increase in the discount rate—to bring it into closer alignment with short-term rates generally—was called for in furtherance of the objectives of economic stabilization.

CHANGE IN LABOR RELATIONS PANEL

The Board of Governors on March 6, 1973, announced a change in membership of the Federal Reserve System Labor Relations Panel. Effective immediately, Governor Jeffrey M. Bucher has been designated a Panel member replacing Governor George W. Mitchell.

The Federal Reserve System Labor Relations Panel, formed in January 1970 pursuant to Section J of the Board's Statement of Policy on Unionization and Collective Bargaining for the Federal Reserve Banks, is composed of one public member, Mr. William E. Simkin, who is the Panel Chairman, and two members of the Board of Governors, Governor J. Dewey Daane and Governor Bucher.

AUTO STATISTICS REVISION, 1960-72

The automobile credit statistics published in the Federal Reserve release G.26 (volume of auto credit extended, average size of note, and number financed) have been revised for the period 1960-72. The revision reflects benchmark revisions in the extensions data between 1965 and 1970 and the inclusion of a trading-day adjustment in the seasonally adjusted series. The revision also reflects discontinuance of an ad hoc adjustment that had been used to eliminate refinanced paper from the data. Tables of the revised data may be obtained from the Mortgage, Agricultural, and Consumer Finance Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Announcements

LETTER ON LOAN COMMITMENTS

The Board of Governors of the Federal Reserve System announced on April 6, 1973, that a letter on loan commitments had been sent by Chairman Burns to all State member banks with deposits exceeding \$100 million.

Similar letters were sent to large national banks by the Comptroller of the Currency and to large State nonmember banks by the Federal Deposit Insurance Corporation. The text of the letter follows:

"I am writing to you about a matter of concern to all members of the Board—the heavy volume of bank loan commitments to commercial and industrial companies and financial institutions. Banks supervised by other Federal banking agencies are receiving similar letters, so that the attention of all banks likely to have substantial loan commitments will be drawn to the need for appropriate loan commitment policies.

"By loan commitments we refer to all of your bank's official promises to lend which have been expressly conveyed to your customers, typically by means of either a formally executed commitment agreement or a letter signed by one of your officers confirming the availability of a line of credit of specified size.

"There is no question as to the legitimacy of—and the need for—bank loan commitments. They serve the purposes of sound business planning, both for banks and for their customers. It is the intention of the Federal bank supervisors that this practice continue, but that it be based on careful judgment, in the interests of a sound banking system and healthy economic expansion. The apparent large volume of bank commitments currently outstanding and sharply increased takedowns thereunder are indicative of the need for special attention to this subject at this time.

"Each bank should maintain a record of the aggregate volume of its commitments to lend. Furthermore, it should periodically make a careful judgment as to the potential volume of takedowns of these commitments under reasonably foreseeable circumstances, including periods of strong as well as weak loan demand, and the appropriateness of the credit risks involved to its over-all capital position. Finally, it should give adequate consid-

eration as to how it would obtain the funds to meet such takedowns in sound and timely fashion, giving due allowance to the possibilities for changing conditions in the local and national economy and in the central money markets.

"Federal bank examiners will henceforth ask the management of each bank they examine to demonstrate that it is giving adequate attention to the above principles. Steps are also being taken by the bank supervisory authorities to obtain current information periodically as to ongoing developments with respect to bank loan commitments.

"We confidently expect that banks will cooperate in this program to help insure that bank loan commitments play a sound and useful role in the financing of business activity."

CHANGE IN BOARD STAFF

The Board of Governors of the Federal Reserve System appointed John M. Denkler of the Division of Federal Reserve Bank Operations as Assistant Controller, effective April 15, 1973, to succeed Harry J. Halley, who resigned.

Prior to joining the Board's staff in January 1973, Mr. Denkler was a naval officer. He holds a B.S. degree from the University of Maryland and an M.S. degree from the Navy Postgraduate School.

CHANGES IN REGULATION A

The Board of Governors has announced revisions in its "discount window" regulations designed primarily to assist smaller banks to meet the seasonal borrowing needs of their communities. The changes were effective April 19, 1973.

The revisions, which are substantially the same as those proposed for comment by the Board last November 21, will also:

1. Make a number of technical and clarifying changes in the Board's Regulation A, which governs lending by Federal Reserve Banks, regarding the eligibility of paper that can be accepted by Reserve Banks as collateral for advances at the discount rate.

2. Continue to provide, as in the past, for credit to assist a member bank in adjusting to temporary requirements for funds or to cushion more persist-

ent outflows, pending an orderly adjustment of a member bank's assets and liabilities.

3. Reaffirm the System's readiness to extend credit to member banks in emergency or unusual circumstances, and also to make credit available in emergency situations to other financial institutions, corporations, partnerships, and individuals on the security of Government obligations.

The Board said that about 2,000 member banks, based on historical lending and deposit patterns, have substantial seasonal calls for credit in their communities. The vast majority of these banks have no more than \$50 million in total deposits.

Today's action is a further step in a program by the Board to implement recommendations made in a System report entitled "Reappraisal of the Federal Reserve Discount Mechanism" and published in July 1968 by a Federal Reserve System task force. Since that time, the System has incorporated into its procedures the substance of task force recommendations relating to emergency credit to member and nonmember depository institutions. The seasonal borrowing privilege announced today is consistent with task force recommendations.

This new seasonal lending arrangement will be available to member banks that lack reasonably reliable access to national money markets. It is intended to assist them in meeting seasonal needs for funds, arising from a recurring pattern of movements in deposits and loans that persists for at least 8 weeks.

An eligible bank will be required under this arrangement to provide part of its own seasonal

needs—up to 5 per cent of its average total deposits in the preceding calendar year. It may obtain its additional seasonal needs by borrowing from the Federal Reserve.

The bank will be required to arrange in advance with its Reserve Bank for seasonal borrowing. Credit under this arrangement will be extended to member banks for periods of up to 90 days at a time. Under ordinary circumstances, a Federal Reserve Bank will be prepared to grant renewals extending the borrowing for the duration of the demonstrated seasonal need.

No change in the stance of monetary policy, in either the short or the long run, is intended or expected to result from the revision of Regulation A.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period March 16, 1973, through April 15, 1973:

Connecticut

Manchester Manchester State Bank

Florida

Tampa North American Bank of Tampa

Montana

Havre First Security Bank of Havre

Missoula First Security Bank of Missoula

Tennessee

Nashville Hamilton Bank of Nashville

Announcements

RESIGNATION OF MR. ROBERTSON AS VICE CHAIRMAN OF THE BOARD OF GOVERNORS

Governor James Louis Robertson, Vice Chairman of the Board of Governors of the Federal Reserve System, resigned at the end of April.

Mr. Robertson's letter of resignation and the President's letter of acceptance follow:

March 29, 1973

Dear Mr. President:

I hereby tender my resignation as a member of the Board of Governors of the Federal Reserve System, effective as of the close of business April 30, 1973, or any earlier date that might better suit your convenience.

Needless to say, I deeply appreciate the opportunity and privilege of serving the public during so many different Administrations—nearly forty-six years in the Federal public service, over twenty-one years as a member of the Board of Governors, and a third of that period as its Vice Chairman.

Sincerely,
J. L. Robertson

THE WHITE HOUSE

April 25, 1973

Dear Mr. Robertson:

It is with special appreciation for your many contributions to the economic well-being of our country that I accept your resignation as a Member and Vice Chairman of the Board of Governors of the Federal Reserve System, as you have requested, effective April 30, 1973.

For more than two decades, your foresight, integrity, and banking expertise have significantly helped maintain and strengthen this country's banking system, a system which has furnished the capital for unparalleled national growth in the post-war years. Few men in the history of the "Fed" have served with such distinction and dedication, and on behalf of all our fellow citizens, I want you to know of my lasting gratitude and admiration for your superb work.

As you prepare to leave government service, I welcome this occasion to extend my very best wishes to you and your family for every happiness in the years ahead.

Sincerely,
Richard Nixon

DESIGNATION OF MR. MITCHELL AS VICE CHAIRMAN OF THE BOARD

President Nixon on May 17, 1973, designated Mr. George W. Mitchell as Vice Chairman of the Board of Governors to serve for a term of 4 years from May 1, 1973, unless and until his services as a Member of the Board shall have sooner terminated. Mr. Mitchell, first appointed to the Board in 1961, was appointed to a full 14-year term in 1962.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following appointments: Ronald G. Burke, Director of the Division of Personnel Administration, to succeed James A. McIntosh (see appointment of Reserve Bank officer below), as Director of the Division of Federal Reserve Bank Operations, effective at the end of May; and Chester B. Feldberg as Secretary of the Board effective July 1, 1973, to succeed Tynan Smith, who is retiring.

Mr. Feldberg, formerly Secretary of the Federal Reserve Bank of New York, has been on loan to the Board since January and has served as an Assistant Secretary since March. He is a graduate of Union College, Schenectady, New York, and the Harvard Law School.

The Board has also announced the retirement of Howard H. Hackley, effective May 31, 1973.

APPOINTMENT OF RESERVE BANK OFFICER

The Board of Directors of the Federal Reserve Bank of Boston has appointed James A. McIntosh as First Vice President to succeed Earle O. Latham, who will retire on June 15, 1973.

BANK CREDIT ACTIONS

The Board of Governors announced on May 16, 1973, a series of actions designed to curb the rapid expansion in bank credit and help moderate inflationary pressures, and at the same time to assure the availability of credit on a reasonable scale.

The measures will:

1. Impose an 8 per cent marginal reserve requirement (the regular 5 per cent plus a supplemental 3 per cent) on further increases in the total of (a) outstanding certificates of deposit of \$100,000 and over issued by member banks, and on (b) outstanding funds obtained by a bank through

issuance by an affiliate of obligations subject to the existing reserve requirement on time deposits. The 8 per cent marginal reserve would not apply to banks whose obligations of these types aggregate less than \$10 million.

2. Reduce from 20 per cent to 8 per cent the reserve requirement on certain foreign borrowings of U.S. banks, primarily Euro-dollars, thus affording roughly parallel treatment at present with the marginal reserve requirement on large-denomination certificates of deposit and bank-related commercial paper. The Board also acted to eliminate gradually the reserve-free bases still held by some banks subject to this measure.

3. Suspend the ceilings that apply to the rate of interest commercial banks may pay on certificates of deposit of \$100,000 and over (large CD's) that mature in 90 days or more, effective immediately.

4. At the same time, the Board proposed a regulatory amendment that would apply reserve requirements to funds raised by banks through sales of finance bills (sometimes called working capital acceptances). If adopted, the amendment would subject the amount of finance bills currently outstanding to a 5 per cent reserve requirement. (There is presently no reserve requirement on finance bills.) In addition, under this proposal, finance bills would be part of the total obligations subject to the 8 per cent marginal reserve requirement.

* * *

For purposes of computing the 8 per cent reserve requirement, a bank would compare its daily average outstanding amount of finance bills, large CD's, and bank-related commercial paper to the daily-average amount outstanding on the base date—the week ending May 16, 1973, or to \$10 million, whichever is larger. Under the present regulation as amended, however, marginal reserve requirements will be based on the total amount of large CD's and bank-related commercial paper.

The marginal reserve requirement on large time deposits and covered commercial paper issued by affiliates will apply to the excess of deposits over the base period beginning in the statement week starting June 7. These reserves will have to be held in the week starting June 21.

The actions were taken against the background of an unusually strong expansion in bank credit, stimulated to a considerable extent by increased business spending for capital investment and inventory accumulation. The actions will help the present policy of monetary restraint to moderate

this expansion. Recent growth in bank credit to major business corporations has been financed in large part by increases in the issuance of money market-type instruments of the kinds covered by the action taken today by the Board.

Business borrowing from commercial banks increased by about \$15 billion during the first 4 months of this year. This increase was only partially offset by the reduced use of commercial paper by businesses to obtain funds. Commercial banks obtained funds to meet the demand for a rising volume of business loans largely through the sale of large negotiable CD's, which also increased by about \$15 billion over this period.

Marginal Reserve on Large Denomination CD's

The new 8 per cent marginal reserve requirement will apply to the total of single-maturity, large-denomination CD's and bank-related commercial paper issued by a member bank beginning June 7, to the extent that this volume exceeds the average amount outstanding in the statement week ending May 16. In no case will the marginal reserve apply to an amount outstanding of less than \$10 million.

For example, if a member bank had outstanding a total of \$20 million of large CD's and bank-related commercial paper on average during the week ending May 16, 1973, and increased that amount to \$25 million by the week ending June 13, the bank would be subject to an 8 per cent reserve requirement on the additional \$5 million—or a \$400,000 reserve. Without this change in the regulation, the reserve requirement on the additional \$5 million would be 5 per cent—or \$250,000.

The base for computing the marginal reserve requirement will remain the same for each individual bank—the week ending May 16, 1973, or \$10 million, whichever is greater—regardless of the level of its CD and commercial paper holdings in the future.

Under the lagged reserve system now in effect, a member bank is required to hold reserves during any given week based on the level of its deposits 2 weeks earlier. Thus, a bank in this instance will be required to hold the 8 per cent marginal reserve during the week of June 21–27, based on the level of its deposits during the week of June 7–13. It will hold the 8 per cent marginal reserve only to the extent that its aggregate total of large CD's and bank-related commercial paper exceeds the total amount outstanding during the week ending May 16, 1973.

Euro-dollar Reserve Requirement

Last September 7, the Board proposed to reduce its marginal reserve requirement on certain foreign borrowings of U.S. banks, primarily Euro-dollars, from 20 per cent to 10 per cent and to eliminate the reserve-free bases available to banks subject to this reserve requirement. A reserve requirement on Euro-dollar transactions was first imposed in 1969 to moderate short-term dollar flows between the United States and other countries.

Reduction of this reserve requirement to 8 per cent will provide roughly parallel treatment at the present time—so far as reserve requirements are concerned—among Euro-dollars, large CD's, and bank-related commercial paper. At some future time, of course, it may be desirable to depart from such parallel treatment.

The Board also decided to phase out the reserve-free bases available to banks subject to this marginal reserve requirement. Bases will be reduced by 10 per cent in each 4-week computation period beginning with the period starting July 5. This schedule will result in elimination of the bases in the computation period beginning March 14, 1974.

Suspension of Large CD Ceilings

The Board suspended interest rate ceilings on large CD's maturing in 90 days or more, in order to permit member commercial banks to maintain a balanced structure of deposits. Ceilings previously had been suspended on CD's issued for 30 to 89 days, and had ranged from 6¾ per cent to 7½ per cent on longer-maturity deposits of \$100,000 and over. Because of recent advances in market rates, the ceiling rates on longer-maturity deposits now practically preclude banks from using long-term CD's, and the great bulk of large CD's being issued mature in less than 90 days. Ceilings on large CD's with maturities of less than 90 days were suspended in June of 1970.

Interest rate ceilings will remain in place on all other types of bank deposits, including passbook accounts and consumer-type certificates of deposit (those of less than \$100,000).

Proposed Amendment on Finance Bills

The proposed amendment would apply reserve requirements against funds obtained by the bank for use in its banking business through sale of bank acceptances that are not eligible for discount at a Federal Reserve Bank. The traditional type of bank acceptances that apply to specific transactions

in goods would continue to be exempt from reserve requirements and eligible for discount by a Federal Reserve Bank.

Under the proposal, the Board would treat the sale of finance bills as equivalent to deposits subject to reserve requirements. At present, about \$1.1 billion in such bills are outstanding. Under the proposal, funds received by a bank would be treated as a deposit if the member bank (1) makes an acceptance that is not eligible for discount at a Federal Reserve Bank, (2) then sells the acceptance, and (3) uses the proceeds in its banking business.

In a related matter, the Board said only acceptances eligible for discount at a Federal Reserve Bank would be subject to limitations on amounts outstanding set forth in Section 13 of the Federal Reserve Act.

* * *

The Board urged all banks to observe the spirit, as well as the letter, of the Board's actions in a concerted effort to curb bank credit expansion and to moderate inflationary pressures. In this connection, a letter was sent to about 190 of the largest nonmember banks seeking their assistance and cooperation in ensuring the effectiveness of this program.

CHANGES IN THE DISCOUNT RATE

The Board of Governors approved actions by the directors of the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, Atlanta, Minneapolis, Kansas City, and San Francisco increasing the discount rates of those banks from 5½ per cent to 5¾ per cent, effective April 23. A similar increase was approved for the Federal Reserve Banks of Chicago, St. Louis, and Dallas effective April 27, for the Federal Reserve Bank of Boston effective May 1, and for the Federal Reserve Bank of New York effective May 4. At that time the rate was 5¾ per cent at all Federal Reserve Banks.

In announcing the action, the Board took note of developments in the money markets that have occurred since the discount rate was raised to 5½ per cent, effective on February 26.

The Board subsequently approved actions by the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco increasing the discount rate of those banks from 5¾ per cent to 6 per cent, effective May 11. A similar increase was approved

for the Federal Reserve Bank of Kansas City, effective May 18, at which time the rate was 6 per cent at all Reserve Banks.

The action was in recognition of increases that had already taken place in other short-term interest rates and is intended to bring the discount rate into better alignment with short-term rates generally.

The discount rate is the rate charged member banks for borrowings from their district Federal Reserve Banks.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM—INTERPRETATIONS

The following are summaries of the recent interpretations of the Voluntary Foreign Credit Restraint (VFCR) Guidelines that have been issued, under authority delegated to Governor Andrew F. Brimmer, to the Federal Reserve Banks. (For text of Guidelines, see the BULLETINS for November 1971, pp. 906–16; for March 1972, p. 321; for November 1972, p. 995–96; and for December 1972, p. 1037.) A consolidated text of the Guidelines as amended is available from Federal Reserve Banks and from the Board.

Nonbank Financial Institutions' Acquisition of Certain Foreign Equities from American Investors

Guideline provision

Equity securities (including those represented by American Depositary Receipts (ADR)) of foreign corporations established in developed countries other than Canada are generally subject to restraint (section III-D-6).

As an exception, restraint does not apply if such securities were acquired after September 30, 1965, in U.S. markets from American investors (section III-E-5).

Interpretation

Where a nonbank financial institution (NBFI) purchases such equity securities after September 30, 1965, *from an American broker*, the purchasing NBFI may treat them as *exempt* from its own ceiling *only if*:

- (1) the broker had acquired them directly from a foreigner; had taken them under his VFCR ceiling; and had reduced his ceiling when he resold those securities, *or*
- (2) the broker had acquired them from another American investor; had not taken them under his (the broker's) VFCR ceiling; and did not reduce his VFCR ceiling

when he sold them to the next purchasing NBFI.

Brokers sometimes do, and sometimes do not, pay the Interest Equalization Tax (IET) when they acquire such securities directly from a foreigner. Payment by a broker of the IET (which would ordinarily entitle him to obtain a validation certificate of prior American ownership or would otherwise entitle him to issue a brokerage confirmation of prior American ownership—he being the “prior American owner” in either case) is not sufficient to establish an exemption from VFCR restraint for the benefit of the NBFI who purchases the securities from the broker. As the Guidelines state: “Securities acquired from a broker who purchases them from a foreigner in anticipation of early resale are not deemed to be acquisitions from a prior American investor.” If the purchasing NBFI wishes the exemption, he has the responsibility for ascertaining whether the broker charged the securities against his VFCR ceiling and thereupon reduced his ceiling when selling those securities to that NBFI. In the absence of firm knowledge that the broker handled the transaction in that manner, the purchasing NBFI should assume that the broker was not the “prior American owner” for purposes of the exemption provision of the Guidelines.

An American Depositary Receipt (section III-D-6) is evidence of the physical retention abroad of a foreign security. An ADR should not be confused with a certificate indicating prior American ownership of a foreign security.

Independent Financial REIT's and Other Independent Nonbank Financial Institutions Managed by Banks or Bank Holding Companies

Guideline provision

Real estate investment trusts (REIT's) that are financial in character, and other nonbank financial institutions (NBFI's), and that are not subsidiaries of banks or of bank holding companies are subject to the NBFI part of the VFCR Guidelines (section III-A).

Interpretation

Questions have been asked as to the applicability of the Guidelines to U.S. financial institutions that are not subsidiaries of banks or of bank holding companies but that are advised or managed by banks or by subsidiaries of bank holding companies. The typical case has been that of an REIT that is not owned substantially or at all by a bank or bank holding company but that is advised or

managed by a subsidiary of a bank holding company.

A financial institution that is unrelated to a bank, to a bank holding company, or to a bank holding company subsidiary other than through a management or advisory arrangement should be treated as an NBFIs for the purposes of the Guidelines. (Conversely, bank holding company subsidiaries, as defined in the Bank Holding Company Act of 1956, as amended, are to be treated under the bank part of the Guidelines in accordance with II-D-1 and 3b.)

Such an independent NBFIs would either already have a VFCR ceiling (section III-C) or would be entitled to use the automatic minimum ceiling of \$500,000 (III-J-2). In addition, such an NBFIs may hold "covered" foreign assets in excess of \$500,000 to the extent it offsets those assets by outstanding foreign borrowings (III-J-1), as interpreted in the Federal Reserve BULLETIN, May 1972, pp. 509-10.

Such an NBFIs may use, as the case may be, its regular ceiling or its automatic minimum ceiling for foreign lending and investment: (1) undertaken at its own initiative and not at the initiative, or for the convenience, of a bank or bank holding company to which it is related through a management or advisory arrangement; (2) for which the NBFIs assumed the principal burden of judging the creditworthiness of the borrower; and (3) bore responsibility for the administrative details concerning the extension and the repayment of the credit. Conversely, the NBFIs should refrain from making any nonexport loans or investments, covered as well as uncovered, that appear to be inconsistent with the U.S. balance of payments program. Among other things, it should not acquire noncovered credits—such as loans of over 10 years' maturity to developing countries—that substitute directly for loans that commercial banks would have made in the absence of the Guidelines as they apply to those banks (III-B-5).

Export Credit—Customary Maturity

Guideline provision

"A credit that is of substantially longer maturity than is customary in international export financing practice for the type of transaction in question should not be regarded as an export credit" (section IV-3-last paragraph).

Interpretation

The following interpretations were based on information concerning practices prevailing at the time (early 1973).

A credit of 3 years' maturity to finance the sale of U.S. wheat to a foreigner may be considered an export credit.

A credit of 5 years' maturity to finance the sale of U.S. wheat abroad would substantially exceed the customary term and, therefore, should not be treated as an export credit. Also, it would not be consistent with the Guideline exemption for the lending bank or NBFIs to divide the credit into two credits for 3 years and for 2 ensuing years with a view to treating the early maturity of the over-all credit as an export credit.

Credits of between 15 and 17 years to finance sales, or financial lease, abroad of large U.S.-made jet aircraft (McDonnell-Douglas DC-9's and DC-10's and Boeing 747's) should be treated as export credits.

FEDERAL OPEN MARKET COMMITTEE MINUTES

The Federal Reserve has announced that minutes of discussions and actions at the meetings of the Federal Open Market Committee during 1967 have been transferred to the National Archives.

These minutes are contained in approximately 1,500 pages of typed material. Their transfer has been arranged on the understanding that the National Archives will make them available for inspection by interested persons under its usual rules and procedures.

Similar records for earlier years are already available at the National Archives on the same basis; minutes of the Committee for 1936 through 1960 were transferred in 1964, those for 1961 were transferred in 1967, those for 1962 through 1965 were transferred in 1970, and those for 1966 were transferred last year. The National Archives will furnish complete microfilm copies of these earlier minutes for a fee, and will be prepared later to furnish similar copies of the 1967 minutes.

Copies of the minutes for 1967 also will be made available later for public inspection at the Board's offices in Washington and at each Federal Reserve Bank and Branch, the same procedure followed with respect to earlier records. Meanwhile, a work copy is available for inspection at the Board's offices, and another at the Federal Reserve Bank of New York.

Release of the minutes from 1962 on has presented special problems involving international financial relationships, an area in which Federal Reserve activity has increased considerably in recent years. As in the case of the 1962-66 minutes, a number of passages have been deleted from the

1967 minutes, with a footnote in each case indicating the general nature or subject of the deleted matter.

BANKING DATA ON REPORTS OF CONDITION AND INCOME

On April 20, 1973, the Board of Governors announced availability to the public of data reported quarterly by individual banks to Federal banking agencies in their official Reports of Condition and annually in their Income and Dividends report, beginning with data for December 1972. Previously, only data from the face of the Report of Condition had been available. Data now include both the face of the Report of Condition and supporting schedules for loans, cash assets, and demand and time deposits, as well as all data on the Income and Dividends report.

The Board will furnish upon request magnetic tapes, including documentation of the data. The 9-track, 800-BPI tapes identify by name, location, and supervisory charter-class all commercial banks in the United States that are insured by the Federal Deposit Insurance Corporation.

The prices for these tapes of data are as follows:

Reports of Condition

1. Face of Report of Condition, semiannual dates from June 1960 to June 1972.

June 1960-June 1971 (a set)	\$150.00
Dec. 1971 (one tape)	50.00
June 1972 (one tape)	50.00

2. Face and back of Report of Condition with detailed schedules for December 1972 and quarterly thereafter—\$50.00 per tape for each date.

Reports of Income and Dividends

December 1972 and annually thereafter—\$50.00 per tape for each date.

The Board also will make available individual copies of original reports for *specified State member banks* at 10 cents per standard page, plus a fee of \$5.00 an hour for locating the requested reports.

Requests for tapes should be made in writing to the Board of Governors of the Federal Reserve System, Washington, D.C. 20551, and should be

accompanied by checks made payable to the Board. Copies of individual reports of State member banks may be obtained by writing to the Board of Governors of the Federal Reserve System or to the appropriate Federal Reserve Bank.

Requests for individual reports of *national banks* should be addressed to the Comptroller of the Currency, Treasury Department, Washington, D.C. 20220; those for *insured nonmember banks* should be addressed to the Federal Deposit Insurance Corporation, Washington, D.C. 20429.

CHANGES IN OTC MARGIN STOCKS

The Board of Governors has announced several changes, effective April 23, 1973, in its "List of OTC Margin Stocks" that was issued in revised form on May 15, 1972. The list was subsequently amended on July 3, 1972, and November 2, 1972. Changes are available in mimeographed form from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

PUBLICATION OF ANNUAL REPORT

The Fifty-Ninth Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1972, is available for distribution. Copies may be obtained upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period April 16, 1973, through May 15, 1973:

Florida

Tampa Interbay Citizens Bank

Virginia

Baileys Crossroads ... Hamilton Bank and Trust Company

Stafford..... Aquia Bank and Trust Company

Announcements

APPOINTMENT OF MR. HOLLAND AS A MEMBER OF THE BOARD OF GOVERNORS

President Nixon on May 16, 1973, announced his intention to appoint Robert C. Holland as a member of the Board of Governors of the Federal Reserve System. Mr. Holland's appointment was subsequently confirmed by the Senate on June 1 and his oath of office was administered by Chairman Burns in the Board Room on June 11.

The text of the White House announcement follows.

The President announced his intention on May 16, 1973, to nominate Robert C. Holland, of Tekamah, Nebraska, to be a member of the Board of Governors of the Federal Reserve System for the remainder of the term expiring January 31, 1978. He will succeed J. L. Robertson, who was a governor from February 7, 1952, until April 30, 1973.

Mr. Holland has been Executive Director of the Board of Governors of the Federal Reserve System since 1971 and has also been Secretary of the Federal Open Market Committee since 1966. He joined the Board of Governors of the Federal Reserve System in 1961, serving as Adviser in the Division of Research and Statistics (1961-63), Associate Economist with the Federal Open Market Committee (1962-66), Associate Director of the Division of Research and Statistics (1964-65), Adviser to the Board of Governors (1965-67), and Secretary of the Board of Governors (1968-71), in addition to his current positions.

Prior to coming to Washington, Mr. Holland was with the Federal Reserve Bank of Chicago from 1949 to 1961. In Chicago, he was a Financial Economist (1949-57), Assistant Vice President for Research and Loans (1957-59) and Vice President for Loans (1959-61).

He was born in Tekamah, Nebraska, on April 7, 1925. Mr. Holland attended the University of Nebraska and received three degrees from

the University of Pennsylvania: B.S. in finance (1948), M.A. in economics (1949) and Ph.D. in economics (1959). He served in the U.S. Army from 1943 to 1945, and during 1948-49 he was an instructor in money and banking at the Wharton School of Finance and Commerce of the University of Pennsylvania.

Mr. Holland is married to the former DeEtte Harriet Hedlund of Osceola, Nebraska. They have three children and reside in Washington, D.C.

CHANGES IN BOARD STAFF

The Board of Governors announced the following appointments to its official staff, effective June 10, 1973:

Theodore E. Allison, who joined the Board's staff in 1971, as an Assistant Secretary in the Office of the Secretary. Mr. Allison holds a Ph.D. degree in economics and finance from the University of Illinois.

Robert J. Lawrence, Chief of the Banking Markets Section of the Division of Research and Statistics, as an Associate Adviser in that Division. Mr. Lawrence joined the Board's staff in June 1965. He received his Ph.D. degree in economics from the University of Michigan.

William W. Wiles, who has been Deputy Program Director for Banking Structure, Division of Supervision and Regulation, as an Assistant Director in that Division. Mr. Wiles, who holds a doctorate in economics from the University of Wisconsin, joined the Board's staff in 1964.

The Board has also announced the retirement, effective June 30, 1973, of the following: Edwin J. Johnson, Joseph E. Kelleher, John N. Kiley, Jr., A. B. Hersey, and Ralph C. Wood.

CHANGE IN DISCOUNT RATE

The Board of Governors approved actions by the directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco increasing the discount rate of those

banks from 6 per cent to 6½ per cent, effective June 11. A similar increase was approved for the Federal Reserve Bank of Richmond, effective June 12, and for the Federal Reserve Bank of Kansas City, effective June 15, at which time the rate was 6½ per cent at all Reserve Banks.

The action was taken in recognition of increases that had already occurred in other short-term interest rates, the recent growth in money and bank credit, and the continuing rise in the general price level.

The discount rate is the rate charged member banks for borrowings from their district Federal Reserve Bank.

CHANGE IN BOARD RELEASE

A monthly press release (G.12.2) on "Industrial Production" replaces the former release on "National Summary of Business Conditions" begin-

ning with the June 1973 issue. The discontinued release contained a summary of various nonfinancial reports on employment, retail sales, and prices that are released by other agencies prior to the publication of the Summary. Financial data reported in the Summary are also available from other sources.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period May 16, 1973, through June 15, 1973:

Florida

Jacksonville Edgewood Bank

Virginia

Goochland County Bank of the James

Announcements

AMENDMENTS TO REGULATION Q

The Board of Governors of the Federal Reserve System has announced an increase in the maximum rates of interest that member banks may pay on passbook savings and other types of consumer deposits, retroactive to July 1.

The actions amending the Board's Regulation Q will:

—Permit member banks to increase from 4.5 per cent to 5 per cent the maximum rate of interest they may pay on passbook savings deposits.

—Authorize member banks to increase by one-fourth to three-fourths of a percentage point the maximum interest rate payable on consumer-type time deposits—those of less than \$100,000.

—Establish a new category of consumer time deposit on which member banks are not limited as to the amount of interest they wish to pay. To be eligible, the deposit must mature in 4 years or more with a minimum denomination of \$1,000.

The Board's actions, along with changes in interest rate ceilings being made by other regulatory agencies, have a twofold objective: They are designed to provide room within the ceilings for a greater measure of equity in the payment of interest to consumers, in an environment where interest rates generally have been rising. They also should enable member banks, and other financial institutions, to bid more effectively for consumer deposits in competition with the yields available to savers on market securities.

Revisions in the interest rate ceilings were made by the Board after consultation with the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board. These agencies have parallel regulatory authority over the maximum rates of interest that may be paid by insured State-chartered banks that are not members of the Federal Reserve System, Federally insured mutual savings banks, and savings and loan associations. These agencies also announced changes in ceiling interest rates for the institutions they regulate.

In its actions, the Board of Governors approved the following maximum rate structure (in per cent) for consumer deposits at banks that are members of the Federal Reserve System, namely all national banks and State member banks:

<i>Maturity</i>	<i>New ceiling</i>	<i>Old ceiling</i>
Passbook accounts	5.0	4.5
90 days to 1 year	5.5	5.0
1 year to 2½ years	6.0	5.5 (for deposits of 1 year to 2 years) 5.75 (for deposits of 2 years and over)
2½ years and over	6.5	5.75 (for deposits of 2 years and over)
4 years and over	No ceiling with minimum denomination of \$1,000	5.75 (for deposits of 2 years and over)

The new schedule of ceilings, which member banks may make effective with the interest-crediting period beginning July 1, will apply to both single- and multiple-maturity deposits. Single-maturity deposits have one expiration date. Multiple-maturity time deposits include deposits that are renewed automatically at maturity without action by the depositor and deposits that are payable after written notice of withdrawal.

Ceilings on single-maturity time deposits of \$100,000 and over that mature in 90 days or more were suspended by the Board on May 16 as part of a series of actions designed to curb the rapid expansion in bank credit and to help moderate inflationary pressures. Ceilings on large time deposits maturing in less than 90 days were suspended in 1970.

Ceilings on consumer-type deposits were last increased on January 21, 1970. Such ceilings represent only the maximum amount of interest that banks may pay on deposits. Member banks are free to pay a lesser rate of interest if they so desire.

In a related action, the Board announced a change in that part of its regulation that permits the payment of a time deposit prior to maturity. Under the present regulation, a bank may pay a time deposit before maturity only "in an emergency where it is necessary to prevent great hardship to the depositor." Under the new rule, a bank may pay a time deposit at any time before maturity but only at a reduced rate of interest to the depositor. In such cases, a bank may pay the depositor interest at no more than the passbook rate for the

period held, less 3 months. Banks are permitted to pay a rate of interest on time deposits higher than that allowed on passbook savings accounts because of the underlying agreement that the time account money will remain on deposit for a specified period of time. Normally, a passbook account provides a depositor with greater liquidity because he can withdraw funds at any time, although the bank may require 30 days written notice of an intended withdrawal.

CHANGE IN DISCOUNT RATE AND RESERVE REQUIREMENTS

The Board of Governors on June 29, 1973, took two actions designed to restrain continuing excessive expansion in money and credit.

The Board:

—Approved actions by the Directors of the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco increasing the discount rate of those banks from 6½ per cent to 7 per cent, effective July 2.

—Increased reserve requirements on all but the first \$2 million of net demand deposits at member banks by one-half of a percentage point. This action became effective in the reserve computation period beginning July 19 and is applicable to the average net demand deposits held in the week beginning July 5 and ending July 11.

The increase in reserve requirements will remove some \$800 million from the reserves that support the deposit and loan structure of banks.

The new reserve requirement structure is:

<i>On net demand deposits of—</i>	<i>Reserve percentage applicable</i>
First \$2 million or less	8 (unchanged)
Over \$2 million to \$10 million	10½
Over \$10 million to \$100 million	12½
Over \$100 million to \$400 million	13½
Over \$400 million	18

INCREASE IN SWAP ARRANGEMENTS

The Federal Reserve announced on July 10, 1973, an increase of \$6.25 billion in the reciprocal currency ("swap") arrangements that it maintains with 14 foreign central banks and the Bank for International Settlements. The increase raises the total of the System's swap network to \$17.98 billion.

As in the past, the present expansion of the swap network was worked out in full consultation with the Treasury.

A swap arrangement is a short-term facility under which the Federal Reserve and another central bank mutually agree to exchange dollars for the currency of the other country up to a maximum amount over a limited period of time.

This announcement reflects arrangements that are being carried out in conformity with the policy that was agreed to at the March 16th Paris meeting of finance ministers and central bank governors.

The increases and the new totals of the swap lines are as follows (in millions of dollars):

<i>Foreign bank</i>	<i>Increase</i>	<i>Total</i>
Austrian National Bank	50	250
National Bank of Belgium ..	400	1,000
Bank of Canada	1,000	2,000
National Bank of Denmark ..	50	250
Bank of England .....	...	2,000
Bank of France	1,000	2,000
German Federal Bank	1,000	2,000
Bank of Italy	750	2,000
Bank of Japan	1,000	2,000
Bank of Mexico	50	180
Netherlands Bank	200	500
Bank of Norway	50	250
Bank of Sweden	50	300
Swiss National Bank	400	1,400
Bank for International Settlements:		
Swiss francs/dollars .....	...	600
Other European currencies/ dollars	<u>250</u>	<u>1,250</u>
TOTAL	6,250	17,980

FOMC APPOINTMENTS

The following staff appointments have been made by the Federal Open Market Committee:

Arthur L. Broida, formerly Deputy Secretary to the Committee, as Secretary, succeeding Robert C. Holland who became a Committee Member by virtue of his appointment as a Member of the Board of Governors.

Thomas J. O'Connell, General Counsel of the Board of Governors and formerly Assistant General Counsel of the Committee, as General Counsel of the Committee, succeeding Howard H. Hackley who retired.

Edward G. Guy, Vice President and General Counsel of the Federal Reserve Bank of New York, as Deputy General Counsel of the Committee, a new post.

John Nicoll, Assistant General Counsel of the Board, as Assistant General Counsel of the Committee.

AMENDMENT TO REGULATION D

The Board of Governors announced on June 18, 1973, that reserve requirements will be applied to funds raised by member banks through the sale of finance bills. There was no reserve requirement on this type of instrument, which is sometimes called a working capital acceptance or an "ineligible" acceptance.

By its action the Board amended its Regulation D governing the reserves of member banks to apply a basic 5 per cent reserve requirement on all outstanding finance bills. An additional 3 per cent reserve requirement will apply to the total of funds raised through finance bills, large (\$100,000 and over) certificates of deposit (or other single-maturity time deposits of like size), and commercial paper issued by an affiliate of a bank, to the extent the total exceeds the level outstanding during the week ended May 16 or \$10 million, whichever is larger.

Under the amendment, member banks will be required to include finance bills in their reserve calculations for the week beginning June 28. Member banks will be required to hold the reserves in the week beginning July 12. At present, about \$1.6 billion in finance bills is outstanding.

The amendment is the same as the proposal made by the Board on May 16, as part of a series of actions designed to curb rapid expansion of bank credit, help moderate inflationary pressures, and also assure the availability of credit on a reasonable scale. The Board's actions at that time included: (1) imposition of the above-mentioned 8 per cent reserve requirements on large certificates of deposits and on outstanding funds obtained by banks through issuance by an affiliate of obligations subject to the existing reserve requirements, and (2) suspension of the ceilings then applicable to the rate of interest commercial banks may pay on large certificates of deposit.

The amendment adopted by the Board will apply to funds obtained by a bank for use in its banking business through bank acceptances that are not eligible for discount by a Federal Reserve Bank. The traditional type of bank acceptances that apply to specific transactions in goods are exempt from reserve requirements and are eligible for discount by a Federal Reserve Bank.

AMENDMENTS TO REGULATION Z

The Board of Governors announced on July 3, 1973, an amendment of its Regulation Z, Truth in Lending, primarily intended to encourage advertising of open end credit terms.

The amendment reduces the amount of information a creditor must furnish in advertising open end credit plans (including revolving retail credit accounts and bank card plans). In their advertising, creditors are still required to include certain minimum Truth in Lending disclosures—the annual percentage rate, any free-ride period, the method of determining finance charges, and balances on which finance charges are imposed. Advertising of the period of repayment (for instance, "up to 24 months to pay") is added as a term requiring the same minimum disclosures with respect to an open end plan, but advertising of "no down payment" is eliminated as a specific term triggering such requirements.

The amendment would also require full disclosure in an advertisement when a downpayment is advertised in percentage terms, as well as in dollar amounts. The advertised term "10% down" (or alternatively, "90% financing"), for example, would require a creditor to include a full disclosure of typical terms in the advertisement.

The Board of Governors announced on July 13, 1973, an additional amendment to Regulation Z regarding disclosure of unearned finance charge rebates.

The new rule, proposed for comment by the Board on May 3, goes into effect January 1, 1974. It requires creditors who do not provide rebates of the unearned portion of a finance charge in the event of prepayment in full of an instalment contract to disclose this fact to consumers on the Truth-in-Lending disclosure form.

TRANSFER OF FEDERAL RESERVE TERRITORY

Effective August 2, 1973, the territory of the Cincinnati Branch of the Federal Bank of Cleveland will be extended to include the counties of Auglaize, Mercer, and Shelby, and the territory of the Pittsburgh Branch will be extended to include the counties of Belmont, Jefferson, and Monroe. These six counties are currently in the territory served by the Head Office at Cleveland.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period June 16, 1973, through July 15, 1973:

South Dakota
Rapid City American State
Bank of Rapid City

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the following changes in its official staff:

E. Maurice McWhirter has been promoted from Chief Federal Reserve Examiner to Associate Director of the Division of Federal Reserve Bank Operations, effective July 22, 1973.

Warren N. Minami has been appointed an Assistant Director in the Division of Data Processing, effective July 22. Prior to joining the Board's staff in 1969, Mr. Minami was associated with the International Monetary Fund. He received an M.B.A. degree from American University in 1967 and is a doctoral candidate.

James R. Kudlinski has been appointed an Assistant Director of the Division of Federal Reserve Bank Operations, effective August 5, 1973. Prior to his appointment to the Board's staff in January 1972, Mr. Kudlinski was at the Naval Security Group Command. He holds an M.B.A. degree from American University and is a candidate for a doctoral degree.

Baldwin B. Tuttle, who joined the Board's staff in 1969, has been named Assistant General Counsel in the Legal Division, effective August 5, 1973. Mr. Tuttle holds a J.D. degree from the University of Pennsylvania Law School.

Keith D. Engstrom has been appointed Director of the Division of Personnel Administration, effective August 13, 1973. Mr. Engstrom, a graduate of Albion College, Albion, Michigan, comes to the Board from the corporate personnel staff of Corning Glass Works, Corning, New York.

John J. Hart, Assistant Director in the Division of Personnel Administration, has been named Special Assistant to the Board, effective August 13.

Daniel M. Doyle, Senior Vice President in charge of the Detroit Branch of the Federal Reserve Bank of Chicago, has been appointed Deputy Director for Management in the Office of the Executive Director, effective August 15, 1973. Mr. Doyle holds a B.A. degree from the University of Illinois and has completed the Stonier Graduate School of Banking, Rutgers University.

APPOINTMENT OF RESERVE BANK PRESIDENT

The Board of Governors has approved the appointment by the directors of the Federal Reserve Bank of Richmond of Robert P. Black as President of that Bank, to serve the remainder of a 5-year term expiring February 29, 1976. He succeeds Aubrey N. Heflin, who died on January 16, 1973, after serving as President since 1968.

Prior to his appointment, effective August 6, Dr. Black was First Vice President of the Richmond Reserve Bank. A native of Kentucky, he holds B.A., M.A., and Ph.D degrees from the University of Virginia.

APPOINTMENT OF BRANCH DIRECTOR

The Board of Governors has appointed Joseph R. Vaughan, of Los Angeles, California, as a director of the Los Angeles Branch of the Federal Reserve Bank of San Francisco for the unexpired portion of a term ending December 31, 1974. Mr. Vaughan, who is President of the Knudsen Corporation, succeeds Ruth Handler, President of Mattel, Inc., Hawthorne, California, who resigned April 19.

CHANGE IN DISCOUNT RATE

The Board of Governors on August 13, 1973, approved actions by the directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco increasing the discount rate of those banks from 7 per cent to 7½ per cent, effective August 14. The Board subsequently approved a similar increase for the Federal Reserve Banks of Atlanta, effective August 16, and Boston, effective August 23, at which time the rate was 7½ per cent at all Reserve Banks.

The action was taken in recognition of increases that have already occurred in other short-term interest rates and is intended to bring the discount rate—which is the rate charged member banks for borrowings from their district Federal Reserve Banks—into better alignment with short-term rates generally.

AMENDMENT TO REGULATION Q

The Board of Governors on July 24, 1973, adopted an amendment to Regulation Q spelling out—as earlier announced by the Board on July 12—how the early withdrawal provisions apply to existing time deposit contracts.

The new early withdrawal rule (that went into effect July 5) states that a time deposit may be withdrawn before maturity only at a reduced rate of interest—namely, the regular passbook rate for the period held, minus 3 months. This rule applies, under the amendment adopted, to the following types of contracts:

1. Time deposits entered into after July 5.
2. Contracts amended after July 5 to increase the rate of interest or to extend the maturity of the deposit.
3. Contracts renewed after July 5, whether by automatic renewal or otherwise.

All other time deposit contracts are subject to the old rule which states that a bank may pay a time deposit before maturity only in an emergency where it is necessary to prevent great hardship to the depositor. In such cases, the depositor forfeits accrued and unpaid interest for a period of up to 3 months.

AMENDMENT TO VFCR GUIDELINES

The Board of Governors on July 19, 1973, issued a clarifying statement to the Voluntary Foreign Credit Restraint Guidelines (VFCR) to provide a specific formula for restraint of foreign lending and investment by the U.S. agencies and branches of foreign banks.

The amendment requests agencies and branches not to increase their foreign assets covered by the program above the levels of June 30, 1973, except to the extent that they obtain the additional funds outside the United States. The amendment will not change the degree of restraint on covered institutions but is designed to ensure uniformity in observance of the VFCR program.

Agencies and branches had not been assigned specific lending ceilings under the VFCR program, as was the case with U.S. banks. Instead, they were asked to conform to the spirit of the Guidelines and to consult with the Federal Reserve Bank in their district. As activity by the agencies and branches has grown over the years, the lack of a specific guideline has produced some unevenness in observance of the VFCR program and prompted the Board to adopt the formula announced.

The formula ties the restraint to the amount of funds the agencies and branches may obtain from

their parent banks and other foreigners. Unlike U.S. banks, the agencies and branches rely mainly on foreign sources of funds for their banking activities.

At the end of May 1973, the latest date for which complete data are available, there were 64 U.S. agencies and branches of foreign banks with \$1 million or more in foreign assets. These institutions, located in the New York area and on the Pacific Coast, had total foreign assets of about \$6.2 billion as of the end of May. Of this amount about \$3.6 billion was of types subject to restraint under the VFCR program. In the approximately 1½ years since data were first collected on the foreign lending and investment activities of these institutions, their foreign assets—total and of type subject to Guideline restraint—have approximately doubled.

The text of the amendment follows (italics indicate language to be inserted; brackets indicate deletions):

Section II-A-9

9. *U.S. Agencies and Branches of Foreign Banks*

a. The ceiling of a U.S. agency or branch of a foreign bank that holds \$1,000,000 or more in foreign assets (whether or not subject to restraint under the Guidelines) will be equal, to

its holdings of foreign assets on June 30, 1973, of types subject to restraint under the Guidelines; less any decrease (or plus any increase) in its liabilities to foreigners subsequent to June 30, 1973.

b. Subsequent to that date, any increase in such assets should be at least matched by an increase in foreign liabilities; correspondingly, any decrease in such liabilities should be accompanied by at least an equal reduction in such assets.

Section II-D-1

1. General

The Guidelines are applicable to all U.S. banks . . . [,] and to U.S. agencies and branches of foreign banks.

Section II-E-6

6. Banks without Ceilings

A bank that has not adopted a ceiling will be acting in conformity with the objectives of the Guidelines

A U.S. agency or branch of a foreign bank that has not adopted a ceiling would be acting in

conformity with the objectives of the Guidelines (a) if its holdings of foreign assets of types subject to restraint do not exceed \$1,000,000 and (b) if those foreign assets are otherwise in conformity with the Guidelines. A U.S. agency or branch of a foreign bank, regardless of when established or when it commences operation, that holds \$1,000,000 or more of foreign assets (whether or not subject to restraint under the Guidelines) will automatically have a monthly ceiling in accordance with section A-9 and should make every reasonable effort to ensure that its foreign assets and foreign liabilities are kept throughout the monthly reporting periods, as well as on the end-of-the month reporting dates, at levels consistent with its ceiling. Each agency and branch of a foreign bank may adopt an individual ceiling. Alternatively, one or more agencies or branches of a particular foreign bank may consolidate ceilings to which they would be entitled. Once consolidated, they should henceforth report as a unit under the Guidelines.

CEILING ON NEW TIME DEPOSITS

The Board of Governors on July 26, 1973, imposed limits on the amount of "no-ceiling" consumer-type certificates of deposit that may be issued by member banks.

On July 5, the Board had increased the maximum rates of interest that member banks may pay on savings and other consumer-type deposits, and established a new category of time deposit on which member banks may pay any rate of interest they desire so long as the deposit matures in 4 years or more and has a minimum denomination of \$1,000.

To provide for introduction of the new savings instruments at a more orderly pace, the Board on July 26 limited the amount of such certificates that a bank may issue to 5 per cent of its total time and savings deposits. Any such certificate that a bank sells beyond that amount will be subject to the existing interest rate ceiling of 6.5 per cent that applies to time deposits maturing in 2½ years or more.

Savings and loan associations that are members of the Federal Home Loan Bank System are also subject to a limitation of 5 per cent of total savings capital on issuance of the new type certificates.

EXPERIMENT TO AUTOMATE GOVERNMENT PAYROLLS

The U.S. Air Force, the Treasury, and the Federal Reserve will cooperate this fall in an experiment

to determine the feasibility of automating the distribution and payment of Government payrolls.

The program was announced jointly by the Board of Governors of the Federal Reserve System, the Treasury, and the Air Force. The program will provide information for assessing the outlook for substantially reducing the number of individual checks issued in making Government payroll payments. Total check usage now comes to some 26 billion items a year of which 750 million are Treasury checks. Total check volume is growing at a rate that will approximately double each decade.

The Federal Reserve is introducing equipment and technology to reduce dependence on checks for making money transfers, by substituting electronic funds transfer. The objective—which the experiment will serve—is to reduce the over-all cost of making payments and to prevent check volume from becoming so large as to clog and disrupt the Nation's payment system. The experiment will also further objectives of the Treasury Department and the Air Force to foster this use of direct deposits of Federal payments as a means of reducing forgeries and speeding delivery. The Air Force has been looking into and developing systems and procedures for simplifying the distribution of its worldwide payrolls and other recurring payments.

In early fall, at dates to be selected, Federal Reserve offices at Atlanta, Denver, Los Angeles, and San Francisco will collaborate with the Air Force Accounting and Finance Center at Denver, and with commercial banks in the three Federal Reserve Districts, in a simulation of paperless distribution of payroll credits to the commercial banks of personnel enrolled in the "Checks to Banks" program. At present, where several Air Force personnel have accounts in one bank, the Air Force sends one check, together with a list of the amounts involved, and of the names and account numbers to which pay credits are to be deposited. In this way, one check can substitute for a number of individual paychecks.

The planned experiment will work as follows:

1. The Air Force will put on a single magnetic tape all deposit information for payments to participating personnel with accounts in all banks in an entire Federal Reserve District.
2. This tape will be sent to a Federal Reserve Bank.
3. There, the information will be electronically sorted and delivered to the individual commercial banks involved.

4. The commercial bank will use the electronically sorted information to simulate credit to the accounts of military personnel who have accounts in that bank.

In the two pay periods when the simulation tests are being made, actual deposit of the pay of persons participating in the Air Force's "Checks to Banks" program will be made as usual.

Actual conversion to a paper-free system using magnetic tapes will await analysis of results of the simulation tests. All parties to the transaction performing operating functions—the U.S. Treasury as the source of the funds being transferred, the Air Force as disbursing agency, the Federal Reserve as the agency responsible for clearance of the funds transfers, and the participating commercial banks as recipients of deposits—will have an opportunity to appraise the results of the test.

If this joint undertaking proves successful, it may form the basis for an eventual nationwide electronic funds transfer system for the Federal Government.

INDUSTRIAL PRODUCTION STATISTICAL RELEASE

The release "Industrial Production" (G. 12.2) and the Industrial Production charts and tables (G. 12.3) have been combined into one release entitled "Industrial Production" (G. 12.3).

Requests for this release should be sent to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period July 16, 1973, through August 15, 1973:

New York

New York Depository Trust Company

Florida

Gainesville Bivens Gardens Bank

Georgia

Atlanta First Georgia Bank

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System announced the following promotions and appointment to the official staff of the Division of International Finance, effective September 10, 1973:

Helen B. Junz and George B. Henry have been promoted from Assistant Advisers to Associate Advisers.

Norman S. Fieleke, Vice President and Economist, Federal Reserve Bank of Boston, has taken a leave of absence from the Bank to accept a temporary appointment as an Assistant Adviser. Mr. Fieleke, who holds a Ph. D. degree from Harvard University, joined the Bank's research staff in September 1967.

MARGINAL RESERVE REQUIREMENTS ON LARGE CD'S

In a further move to curb the rapid expansion in bank credit, the Board of Governors announced on September 7, 1973, an increase in its marginal reserve requirements on large-denomination certificates of deposit.

The action increased the marginal reserve requirement from 8 per cent to 11 per cent, effective September 20.

The growth this year in bank credit has been financed in large part by bank sales of certificates of deposit of \$100,000 and over, and similar money market instruments. Total bank loans have increased at a more than 20 per cent annual rate since midyear and bank loans to business firms have increased even more rapidly during this interval.

On May 16, the Board imposed an 8 per cent marginal reserve requirement—the regular 5 per cent plus a supplemental 3 per cent—on further increases in (1) time deposits in denominations of \$100,000 and over and (2) bank-related commercial paper. Similar reserve requirements were subsequently applied to funds raised by banks through the sale of finance bills.

Banks have been required to maintain this added reserve requirement beginning with the week of

June 21–27, based on total deposit levels 2 weeks earlier. The marginal reserve does not apply to deposits of these types totaling less than \$10 million, which are still subject to the regular reserve requirement.

The 11 per cent marginal reserve requirement—the regular 5 per cent plus a supplemental 6 per cent—applies to increases in the level of affected deposits since the week ending May 16.

Since that time, commercial banks have increased their holdings of large CD's, bank-related commercial paper, and finance bills by about \$15 billion. An increase in the marginal reserve requirement to 11 per cent means that banks with these deposits are required to maintain about \$450 million in additional reserve requirements.

Member banks will be required to maintain the 11 per cent marginal reserve requirement during the week of October 4–10, based on deposit levels 2 weeks earlier.

AMENDMENTS TO REGULATION Q

The Board of Governors has announced two amendments to Regulation Q. Regulation Q deals with the payment of interest on deposits at Federal Reserve member banks.

The first action, effective September 10, defines any amendment to a time deposit contract that results in an increase in the interest rate, or a change in the maturity of the deposit, as a withdrawal of funds subject to penalty.

The amendment to Regulation Q would treat any change in a time deposit contract—generally, certificates of deposit—that results in an increase in the rate of interest to be paid, or that changes the maturity of the deposit, as a withdrawal before maturity. The penalty for early withdrawal of deposits would therefore apply.

The early withdrawal penalty differs according to the date on which the time deposit contract was entered into:

For time deposit contracts entered into, or amended, or renewed after July 5, 1973 (when a new schedule of maximum interest rates on time deposits went into effect), the penalty is

in two parts: (a) a reduction of the rate of interest paid to the maximum permissible passbook rate for the entire time the deposit has been held, and (b) a loss of 3 months' interest.

For all other time deposits, the old penalty rule applies. This states that a bank may pay a time deposit before maturity only in an emergency where early withdrawal is necessary to prevent great hardship to the depositor, plus forfeiture of up to 3 months' accrued, unpaid interest.

The second amendment, which went into effect on September 18, relates to disclosure of the penalty provision for early withdrawal of time deposits. It requires member banks to:

1. Disclose in advertising regarding interest paid on time deposits that Federal law and regulation prohibit the payment of a time deposit prior to maturity unless substantial interest is forfeited. The following language is suggested for this statement:

"Federal law and regulation prohibit the payment of a time deposit prior to maturity unless three months of the interest thereon is forfeited and interest on the amount withdrawn is reduced to the passbook rate."

For radio or television commercials, the following language is suggested:

"Substantial interest penalty is required for early withdrawal."

2. Give to each bank customer who enters into a time deposit contract a written statement specifying that the customer has contracted to keep funds on deposit for a fixed period of time, and describing how the early withdrawal penalty applies to time deposits, in the event the bank permits payment before maturity.

The early withdrawal penalty subject to the disclosure provision is in two parts—(a) a reduction of the rate of interest paid to the maximum permissible passbook rate for the period the deposit is held, and (b) a loss of 3 months' interest.

OVERSEAS BRANCHES OF MEMBER BANKS: ASSETS AND LIABILITIES

Total assets of the overseas branches of member banks increased by \$10.4 billion, or 15 per cent, during 1972 to a total of \$77.4 billion, the Board of Governors announced in releasing data showing balance sheet items of overseas branches at the beginning and end of the year. At the end of 1972, 627 branches were in operation in foreign countries and overseas territories, an increase of 50 branches during the year.

The tabulations (which are available upon request) show as separate items the amounts due from and due to other overseas branches of the same bank. Omitting these offshore interoffice claims, assets of the branches increased by \$17.1 billion, or 31 per cent. This growth was again principally accounted for by branches in Europe (particularly those in London) and in the Bahamas.

Loans at overseas branches expanded by \$8.6 billion, or 31 per cent, during 1972. In addition, cash assets increased by \$9.8 billion (48 per cent), again reflecting continued expansion of time placements with other banks in Eurocurrency markets.

The data are derived from reports of condition filed at the end of the year with the Comptroller of the Currency and the Federal Reserve System and differ in certain respects from other statistical reports covering aspects of overseas branch operations. The assets and liabilities shown are payable in U.S. dollars as well as in currencies of the countries where the branches are located and in other foreign currencies.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period August 16, 1973, through September 15, 1973:

Florida

Bradenton First Security Bank

Announcements

REVISION OF REGULATION P

The Board of Governors of the Federal Reserve System has announced revisions of its Regulation P to strengthen implementation of the Bank Protection Act.

The revisions, effective November 1, 1973, are largely technical and clarify minimum standards to be met by State member banks regarding the installation, maintenance, and operation of security devices, with the double aim of discouraging crimes against financial institutions and assisting the apprehension of perpetrators of such crimes. They include a definition of requirements for vaults as distinguished from safes, protection standards for cash dispensing machines, and a clarification of the rules that safe deposit boxes be stored in an approved vault or safe.

Under Regulation P, if a bank decides not to install, maintain, or operate devices to meet the minimum standards for bank security, as defined in Appendix A of the Regulation, it is required

to forward to the Reserve Bank in its district a statement of reasons for its decision.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period September 16, 1973, through October 15, 1973:

Florida

Lakeland American Bank of Lakeland
Orange County American Bank of Orange
County
Punta Gorda Marine Bank of Punta Gorda

Texas

Houston Houston State Bank

Virginia

Henrico County Peoples Bank and Trust
Company of Henrico
Powhatan Central Virginia Bank

Announcements

TERMINATION OF OFFICIAL GOLD TRANSACTIONS AGREEMENT

Dr. Arthur F. Burns, Chairman of the Board of Governors of the Federal Reserve System, issued the following statement upon his return from a meeting of central bankers in Europe:

The Governors of the Central Banks of Belgium, Germany, Italy, the Netherlands, Switzerland, the United Kingdom, and the United States at the November meeting held in Basle, Switzerland, discussed the agreement with regard to official gold transactions reached in Washington on March 17, 1968, and decided that the agreement should be terminated.

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced a major reorganization of its staff management functions, effective November 7, 1973. The Board's action establishes two positions of Managing Director, one responsible for research and economic policy and the other responsible for operations and supervision. These offices will replace the present Office of the Executive Director.

The Office of Managing Director for Research and Economic Policy will be headed by J. Charles Partee as Managing Director; he will retain his previous position as Director of the Board's Division of Research and Statistics.

The Office of Managing Director for Operations and Supervision will be headed by David C. Melnicoff as Managing Director; he had previously been Deputy Executive Director of the Board.

The Managing Director for Research and Economic Policy is responsible for the planning and coordination of programs in the following general areas: Monetary policy planning and formation, domestic research activities, research in international finance, securities credit regulation, Federal Open Market Committee staff activities, regulatory philosophy regarding banking (including domestic and international banking structure), and inter-

agency activities involving the analysis, planning, and coordination of economic policies.

The Managing Director for Operations and Supervision will be responsible for the planning and coordination of programs in the following general areas: Personnel-related activities, Board budget and accounting activities, Board building and administrative services, data processing, supervision and regulation, equal employment opportunity, contingent operations, and Federal Reserve Bank operations and liaison and coordination of Reserve Bank activities.

The Board announced the following staff appointments to implement the changed designations in management functions:

Daniel M. Doyle, from Deputy Director for Management to Deputy Managing Director for Operations and Supervision.

Stephen H. Axilrod, from Associate Director, Research and Statistics, to Adviser to the Board in the Office of Managing Director for Research and Economic Policy.

Lyle E. Gramley, from Associate Director to Deputy Director in the Division of Research and Statistics.

Arthur L. Broida, from Assistant Secretary to Assistant to the Board in the Office of Managing Director for Research and Economic Policy.

James Pierce, from Adviser to Associate Director in the Division of Research and Statistics.

Murray Altmann, from Assistant Secretary to Special Assistant to the Board in the Office of Managing Director for Research and Economic Policy.

REVISION IN SERIES ON COMMERCIAL BANK LOANS AND INVESTMENTS

The seasonally adjusted series for bank credit and its major components that are published regularly in the BULLETIN have been revised to take account of changes in seasonal factors and of adjustments to benchmarks for the latest available Call Report date, June 30, 1973. Revisions in seasonal factors affect the seasonally adjusted data from 1959 to date with the principal changes reflected in data beginning in 1968. The benchmark revisions affect

data not seasonally adjusted from January through September 1973. However, data prior to January 1973 may vary slightly from those published earlier because of rounding differences associated with the current computer operation.

In general, the revised series for recent years shows somewhat higher levels of total bank credit in the second quarter of the year, with most of the offsetting decrease occurring in the third quarter. In the case of commercial and industrial loans, levels for both the second and the fourth quarters of the year are higher while those for the first and third quarters are lower with August showing the largest moderation.

Monthly data, before and after seasonal adjustment, are shown on pages A96–A98 for the period January 1959 through June 1973. Data subsequent to June are shown on page A17. Data for total loans and investments, total loans, and commercial and industrial loans are also shown adjusted to include loans sold outright to affiliates.

MONTHLY CHART BOOK

The November issue of the Board's *Monthly Chart Book* has a new look. This publication has been revised in line with information obtained from a recent readership survey. Some earlier charts have been omitted and other, more pertinent ones have been added.

All charts, including their titles and any annotations, are computer programmed. This graphic system draws the charts with an exposure light head. It replaces the formerly used semi-automatic pen-and-ink system, which received its inputs from a card reader. For more detailed information on this new system of chart production, individuals may contact the Board's Graphic Communications Section of the Division of Data Processing.

VOLUNTARY FOREIGN CREDIT RESTRAINT PROGRAM

The following interpretation of the Voluntary Foreign Credit Restraint (VFCR) Guidelines has been issued, under authority delegated to Governor Andrew F. Brimmer, to the Federal Reserve Banks. (For text of Guidelines, see the BULLETINS for November 1971, pp. 906–16; for March 1972, p. 321; for November 1972, pp. 995–96; for December 1972, p. 1037 (all available in consolidated pamphlet form); and for August 1973, pp. 607–08.)

Export Credits Discounted by U.S. Banks and by U.S. Nonbank Financial Institutions for U.S. Residents

Guideline provision

“A credit that is of substantially longer maturity than is customary in international export financing practice for the type of transaction in question should not be regarded as an export credit.” (Section IV-3-last paragraph.)

Interpretation

Where a bank or a nonbank financial institution is requested to refinance a transaction originally covered by credit granted by another domestic or foreign resident, the bank or nonbank financial institution extending the new credit should consider as the maturity, for VFCR purposes, the period commencing from the date on which the credit was originally granted to a foreigner until the final date of repayment of that and of any subsequent credit covering the export sale.

Questions have been asked concerning proper VFCR treatment of cases in which a U.S. bank acquires, directly or indirectly, export credit paper of a U.S. corporation drawn by the corporation on its own foreign subsidiary or affiliate foreign national (AFN) or on any unaffiliated foreign resident. We have replied that the “customary maturity” referred to in the Guideline provision referred to above is the total maturity of the paper from the time it was first drawn until it is repaid.

The Office of Foreign Direct Investments (OFDI) of the Department of Commerce has revised the Foreign Direct Investment Regulations for 1973 so as to exempt from transfer of capital charge “qualified export obligations” as long as such credits are repaid within “arm's length terms.” OFDI reports that in several cases a U.S. corporation that is a Direct Investor (DI) has inquired about the permissibility of discounting with a U.S. bank export credit obligations of AFN's. The discounting bank might treat the paper as exempt export credit under the Guidelines and would not charge it against its VFCR ceiling. However, the DI, under the Foreign Direct Investment Regulations, either would derive a “negative transfer of capital”, which would offset the “positive” capital transfer charged when the paper previously exceeded the arm's length term, or would avoid a positive transfer, which otherwise would be recorded against it when the paper reached maturity, even though no capital reflow into the United States would have taken place.

An institution subject to the VFCR that discounts export paper should compute the maturity from the date of origination, whether or not the paper was originated by that institution. The discounted paper should be treated as export paper by the discounting bank only for so long as the total time for which the paper is outstanding does not exceed the customary maturity of export paper for the type of transaction involved as stated in the Guidelines.

For example: a DI grants export credit to its AFN for a period of 12 months. The customary maturity for such paper is 10 months. After 9 months, the DI discounts the paper with a U.S. bank. The bank may treat the paper as export credit for a period of 1 month and thereafter should charge the claim against its VFCR ceiling (as a nonexport credit) for the remaining 2 months.

Similarly, where the export obligation itself is not discounted with a bank but where the bank is requested to refinance a transaction originally financed through credit granted by a U.S. corporation, by another U.S. financial institution, or by any other domestic or foreign resident, the bank extending the new credit should compute its maturity from the date on which credit was originally granted to a foreigner until the final date of repayment of that and of any other credit financing the underlying export sale.

AMENDMENT OF REGULATION Y

The Board of Governors announced on November 15, 1973, an amendment of its Regulation Y to permit bank holding companies to engage in the courier service business under an extensive set of limitations and conditions designed to enhance competition and ensure other public benefits.

At the same time, the Board announced that with respect to armored car services, it finds the hearing record inconclusive and is consequently taking no action on this proposed activity.

Together with its decisions, the Board issued a statement summarizing the record compiled from extensive proceedings over the past 2 years—including hearings and a Hearing Officer's recommendations—on which the Board based its decisions. The statement also included a record of the Board's procedural rulings and the conclusions reached in deciding that courier services are closely related to banking.

The Board's order listed the following types of courier services that bank holding companies could

provide, subject to approval of individual applications:

Courier services for:

—the internal operations of the applying holding company and its subsidiaries;

—checks, commercial papers, documents, and written instruments as are exchanged among banks and banking institutions (but excluding currency and bearer-type negotiable instruments);

—data processing materials such as audit and accounting media of a banking or financial nature, and business records and documents used in processing such media.

The Board accompanied its ruling regarding courier services with an interpretation regarding the scope of courier activities the Board intends to permit, and set forth three principles that should be followed to ensure maintenance of competition among couriers. The interpretation said:

The Board's amendment of Regulation Y that adds courier services to the list of closely related activities is intended to permit bank holding companies to transport time-critical materials of limited intrinsic value of types utilized by banks and bank-related firms in performing their business including check clearing and other activities such as the processing of financially related economic data. The authority is not intended to permit holding companies to engage generally in the provision of transportation services. However, the furnishing of courier services for nonfinancially related material (such as human blood, exposed and processed film, repair parts and cut flowers) upon the specific unsolicited request of a third party when courier services are not otherwise reasonably available may be regarded as an incidental activity of a bank-related courier.

The Board said it believes that adherence to the following principles will eliminate or reduce to an insignificant degree any possibility of unfair competition:

a. A holding company courier subsidiary . . . should be a separate independent corporate entity, not merely a servicing arm of a bank.

b. As such, the subsidiary should exist as a separate, profit-oriented operation and should not be subsidized by the holding company system.

c. Services performed should be explicitly priced, and shall not be paid for indirectly, for example, on the basis of deposits maintained at or loan arrangements with affiliated banks.

Pursuant to the intended scope of permissible courier services and the above principles, the Board said entry of holding companies into courier activities—that is, Board action upon applications—would be conditioned as follows:

—The courier subsidiary shall perform services on an explicit fee basis and shall be structured as an individual profit center. The Board may regard operating losses sustained over an extended period as being inconsistent with continued authority to engage in courier services.

—Courier services performed on behalf of an affiliate's customer shall be paid for by the customer on a direct basis, and not by indirect arrangements.

—The courier subsidiary should make publicly known its minimum rate schedule for performing services, should furnish comparable services at comparable rates for any requesting bank or data processing firm providing financially related data processing services unless compliance would be beyond the courier subsidiary's practical capacity, and is expected to maintain, for at least 2 years, any applications for service that it denies, together with its reasons.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period October 16, 1973, through November 15, 1973:

Colorado

Boulder..... Bank of Boulder

Florida

Tampa..... Dale Mabry State Bank

New York

Buffalo Chemical Bank—Buffalo

New York Hartford Trust Company
of New York

North Carolina

Burlington Burlington Bank and
Trust Company

Announcements

MARGINAL RESERVES ON LARGE CD'S

The Board of Governors of the Federal Reserve System on December 7, 1973, announced a reduction from 11 per cent to 8 per cent in its marginal reserve requirement on large-denomination certificates of deposit (CD's). This action—which will reduce the costs to banks of accommodating the credit needs of their customers—was taken in recognition of the moderation in bank credit growth achieved over recent months.

The reduction took effect on deposits in the week beginning Thursday, December 13, and reduced required reserves 2 weeks later, when there was a seasonal need to provide reserves to the banking system. The net effect of the Board's action was to reduce by about \$375 million the reserves required to support member bank deposits.

A marginal reserve requirement (the regular 5 per cent plus a supplemental 3 per cent) was first announced by the Board on May 16 as part of a series of actions designed to curb a rapid expansion in bank credit and help moderate inflationary pressures. An additional 3 per cent marginal reserve was announced by the Board on September 7, thus raising the total reserve requirement on affected deposits to 11 per cent.

In recent months, the rate of growth in bank credit has moderated, and the outstanding amount of large-denomination CD's has dropped substantially. Business loan expansion at banks has been at a much slower pace than earlier this year, and extensions of other forms of bank credit have also slowed.

The marginal reserve requirement applies to increases (beyond the amount outstanding in the week ended May 16) in the total of (1) time deposits in denominations of \$100,000 and over and (2) bank-related commercial paper and finance bills with a maturity of 30 days or more. In no case does the supplemental reserve apply to banks whose obligations of these types total less than \$10 million.

The Board said the action also affects certain nonmember State banks and U.S. agencies and branches of foreign banks that have been voluntarily holding marginal reserves on large CD's at

the request of the Board. The special marginal reserve held by these institutions will now be reduced from 6 per cent to 3 per cent. The Board expressed its appreciation to the nonmember institutions for their continued cooperation.

AMENDMENT TO REGULATION Q

The Board of Governors on December 7, 1973, issued an amendment to its Regulation Q—governing payment of interest on deposits—under which customers of member banks in Massachusetts and New Hampshire may write negotiable orders of withdrawal (NOW's) against interest-bearing savings accounts.

The amendment, effective January 1, 1974, was adopted pursuant to new legislation permitting all depository institutions in the two States to allow customers to write NOW's—which function as checks—on savings accounts. The customary type of check may be written only against non-interest-paying demand deposits.

The new rules for the use of NOW's by savings depositors in Federal Reserve member banks in Massachusetts and New Hampshire are:

—Maximum interest payable on NOW accounts is 5 per cent.

—NOW accounts may be owned only by natural persons (or fiduciary accounts for individuals) and nonprofit associations eligible to maintain savings accounts.

—To avoid unfair competition for deposits with institutions in neighboring States, advertising and solicitation of NOW account deposits should be directed toward residents of Massachusetts and New Hampshire. In this connection, member banks are requested to offer NOW accounts only to permanent or temporary residents of Massachusetts and New Hampshire, persons who work in those States, and current customers.

—The number of negotiable orders of withdrawal that may be processed against an individual NOW account may not exceed 150 per year.

The Board's rules governing the use of NOW's in the two States were formulated following careful consideration of the history of the legislation and of all comments received on a tentative statement of proposed policies issued by the Board on September 14. The Board also consulted with the

other Federal regulatory agencies through the Inter-Agency Coordinating Committee. The Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board are also issuing regulations covering institutions under their jurisdiction in Massachusetts and New Hampshire.

The new rules do not require the imposition of service charges by member banks on NOW transactions. But the Board suggested that each individual bank charge a fee for transactions if its earnings from NOW accounts do not fully cover the cost of establishing and servicing such accounts.

NOW drafts will continue to be cleared, for all depository institutions, by the Federal Reserve Bank of Boston through member banks.

In cooperation with the other regulatory agencies, the Board—through the Federal Reserve Bank of Boston—is establishing a system for monitoring, on a monthly basis, the use and activity in NOW accounts. The purpose is to generate timely information on public use and acceptance of such accounts and to uncover any institutional weaknesses that may arise from excessive promotional schemes and activities.

The Board has written the chairmen and ranking minority members of the committees and subcommittees that considered the recent NOW account legislation, to inform them of the reasons underlying the Board's action. Following are excerpts from those letters:

The Board has predicated its actions on the belief that the basic purpose of the NOW account experiment is to make money transfers a feature of savings accounts owned by individuals. The primary, but not exclusive, beneficiaries of this policy would be those who do not have checking accounts but keep their funds in a savings account in a commercial bank, a mutual savings bank, a savings and loan association or other thrift institution. The Board does not believe that NOW accounts should be made so available and attractive as to result in the wholesale conversion of demand deposits into such accounts.

In formulating its rules, the Board has given close attention to comment it received on its tentative proposals published September 14, just before the new legislation went into effect. The Board has considered the views of the other Federal regulatory agencies concerned, and of the banking officials in the two states in which Congress authorized the experiment in making check-like withdrawals from interest-bearing deposits.

The Board has also sought to be guided by the legislative history of PL 93-100 permitting NOW transfers from savings accounts. This legislative history indicates that the NOW account experiment was meant by Congress to be confined to Massachusetts and New Hampshire. Consequently, the

Board is requesting member banks in Massachusetts and New Hampshire to limit the ownership of NOW accounts to permanent or temporary residents of those states, to persons who work in the two states and to current customers. Similarly, the Board has limited direct solicitation of NOW account deposits by member banks to the two states concerned.

The legislative history also implies that eligible holders should be limited to natural persons. Savings accounts at commercial banks are limited to individuals, to fiduciary accounts for the benefit of individuals, and to certain non-profit associations. The Board has concluded that confining the use of NOW accounts at member banks to those who have savings accounts at those banks carries out the intent of Congress. The Board does not believe that Congress intended for corporations and state and local governments to have access to NOW accounts, and it sees no present reason for permitting such access.

The Board believes that all depository institutions offering this service should be permitted to pay the same rates of interest on the deposits supporting NOW accounts.

In its publication of September 14 soliciting comment on tentative proposals for the use of NOW accounts, the Board implied concern over the possibility that NOW accounts might be offered as a loss leader for attracting deposits. In the interest of maintaining sound banking, institutions in these two states should avoid predatory competition implicit in loss leader promotion.

The Board suggests that fees should be charged where the costs of maintaining and servicing NOW accounts, including the interest paid to the holder of the account, are not fully covered by the bank's earnings on the deposits supporting the account. One reason for this concern is the fact that savings accounts at all the depository institutions in Massachusetts and New Hampshire are small on the average—less than \$250—and that the large majority of all savings accounts in the two states is under \$1,000. Thus, a bank's opportunities for earnings on such accounts are limited. When one keeps in mind the interest paid to holders of such accounts, the costs of setting up accounts and the servicing of transactions, it is clear that unless fees are charged for NOW transfers many, if not most, such accounts would be operated at a loss to the institution offering them. This would tend to undermine the viability of the experiment by undermining the earning capacity and ultimately the soundness of institutions caught in a competitive bind. The Board is reluctant to deal with this possibility by fixing the money equivalent of the costs of handling a funds transfer in a NOW account, since this will vary from institution to institution or customer to customer, or even from transaction to transaction. The best solution, therefore, appears to be for an individual bank to charge fees in the light of its own knowledge of the relation of its costs to its earnings on NOW accounts.

The NOW account may become the vehicle for wholesale conversion of checking accounts to

NOW accounts unless some limitation is imposed upon the use of NOW transfers. The Board has therefore set a twelve-month limit of 150 such transfers per account. The NOW account should be of particular benefit to that segment of the public that does not maintain checking accounts, and, therefore, does not make large numbers of payments in some form other than currency. The limit of 150 transfers per year, consequently, seems appropriate at the outset to serve that segment of the public that the Board expects will derive the primary benefit from the NOW account.

NEW PUBLICATION

Lending Functions of the Federal Reserve Banks: A History by Howard H. Hackley, formerly General Counsel of the Board, is available for distribution.

This study traces the legal history of the lending functions of the Federal Reserve Banks: the nature of the original statutory authority of the Federal Reserve Banks to make loans; the reasons for which that authority was given to the Reserve Banks by the Congress; how and why the authority has been changed, expanded, or modified by subsequent statutes; the nature of regulations on this subject that have been issued by the Board of Governors of the Federal Reserve System; how the Board has interpreted the law; and how the law has been construed and applied by the courts.

Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve Sys-

tem, Washington, D.C. 20551. The price is \$3.50 per copy; in quantities of 10 or more sent to one address, \$3.00 each.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period November 16, 1973, through December 15, 1973:

North Carolina

Winston-Salem United Citizens Bank

Virginia

Isle of Wight County .. Bank of Isle of Wight

BANKS IN HOLDING COMPANY GROUPS: ADDITIONAL DATA

Statistics for banking offices, assets, and deposits of banks in holding company groups appeared in the June 1973 BULLETIN. The table below gives a further breakdown of totals into multibank and one-bank classifications.

Multibank and one-bank classifications are based on the number of banks controlled, directly or indirectly, by the top-tiered holding company. Holding companies that are subsidiaries of other holding companies are eliminated; therefore, the total number of multibank and one-bank companies is lower than the total number of bank holding companies shown in the June BULLETIN.

Classification	Number of companies	Number of offices			Assets	Deposits
		Banks	Branches	Total	Millions of dollars	
Total	1,607	2,720	13,441	16,161	467,487	379,355
Member .....	.....	1,354	11,206	12,560	417,921	335,869
Nonmember .....	.....	1,366	2,235	3,601	49,566	43,486
Multibank	210	1,457	6,147	7,604	238,185	193,695
Member .....	.....	867	5,217	6,084	216,039	174,359
Nonmember .....	.....	590	930	1,520	22,146	19,336
One-bank	1,257	1,263	7,294	8,557	229,302	185,660
Member .....	.....	487	5,989	6,476	201,882	161,510
Nonmember .....	.....	776	1,305	2,081	27,420	24,150
All commercial banks .....	.....	13,927	24,398	38,325	739,591	616,592

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced, effective January 1, 1974, the following promotions: Samuel B. Chase, Jr., from Associate Director, Division of Research and Statistics, to Adviser to the Board, Office of Managing Director for Research and Economic Policy; and Edward C. Ettin and Eleanor J. Stockwell from Assistant Advisers to Associate Advisers in the Division of Research and Statistics. Effective January 6, 1974, Griffith L. Garwood, Adviser, Division of Supervision and Regulation, has been named Adviser in the Legal Division.

The Board also has announced the following official staff appointments, effective January 14, 1974:

James L. Kichline has been appointed an Assistant Adviser in the Division of Research and Statistics. On the Board's staff since 1966, Mr. Kichline holds a Ph.D. degree from the University of Maryland.

Thomas D. Thomson has been named an Assistant Adviser in the Division of Research and Statistics. Mr. Thomson, who has been on the Board's staff since 1965, holds a Ph.D. degree from the Graduate School of Business at the University of Chicago.

Helmut F. Wendel has been appointed an Assistant Adviser in the Division of Research and Statistics. Mr. Wendel, who joined the Board's staff in 1951, holds M.A. and Ph.D. degrees from Columbia University.

Charles W. Wood has been appointed Assistant Director in the Division of Personnel. Mr. Wood, a graduate of the College of William and Mary, joined the Board's staff in 1960.

In addition, Pauline B. Heller, Assistant General Counsel in the Legal Division, has retired, and Jerold E. Slocum, Director, Division of Data Processing, has resigned.

CHANGE IN MARGIN REQUIREMENTS

The Board of Governors lowered its margin requirement for purchasing or carrying stocks from 65 per cent to 50 per cent, effective January 3, 1974.

The action covers new extensions of credit for the purpose of purchasing or carrying stocks that are registered on a national stock exchange or are included in the Board's over-the-counter margin list. As a result of the action, persons buying such stocks on credit will be required to put up a minimum of 50 per cent of the purchase price—instead of 65 per cent—at the time of the transaction. Credit may be obtained for the remaining 50 per cent. This action was taken under the authority granted to the Board in the Securities Exchange Act of 1934 to prevent the excessive use of credit to finance securities transactions.

In announcing the change, the Board noted the sharp reduction that has occurred in stock market credit since margin requirements were increased from 55 to 65 per cent effective November 24, 1972. Margin credit extended by brokers and dealers declined last November for the eleventh consecutive month. The level of margin debt at broker-dealers on November 30 was about \$5.5 billion, or 31 per cent below the peak of \$7.9 billion in December 1972.

In line with the new margin requirement, the required deposit on short sales was lowered from 65 to 50 per cent, also effective January 3, 1974. The 50 per cent margin requirement for purchasing or carrying convertible bonds and the 70 per cent "retention requirement" that applies to undermargined accounts remain the same. This latter requirement relates to that portion of the proceeds of a sale of securities that must be retained in an account if the account's equity does not meet the initial margin requirement—50 per cent.

The action applies specifically to new extensions of credit by brokers and dealers (Regulation T) and loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying margin stocks.

AMENDMENT TO REGULATION T

The Board of Governors has announced an amendment to its Regulation T—extension of credit on securities by brokers or dealers—withdrawing permission for brokers or dealers to sell certain kinds of investment contract securities on credit.

The amendment, to become effective June 21, 1974, will provide uniform treatment of every security, for credit purposes, as an indivisible whole. The amendment was published for comment July 5, 1973.

The amendment relates to, but is not limited to, the arrangement for credit by securities brokers or dealers in the sale of investment contract securities such as a program to own and feed cattle, or to own and rent, through a related rental arrangement, a condominium unit. In general, the combination, in one package, of both property ownership and provision for services such as cattle feeding or rental management makes such an investment a "security" subject to securities credit regulation.

The Board has held that, in most cases, securities brokers and dealers are not permitted, under Regulation T, to arrange credit for the sale of such investment contract securities. However, the Board had made an exception where the property sale and the management contract were separate items and the credit involved was connected only with the property. The current amendment negates that exception, and makes the extension of credit on any part of such an investment an extension of credit on the whole. This makes it impermissible for securities brokers and dealers to arrange for such credit unless collateral is supplied that meets the requirements of the regulation. Others may continue to sell such investment programs on credit.

EARNINGS AND EXPENSES OF THE FEDERAL RESERVE BANKS IN 1973

Preliminary figures from the Federal Reserve Banks indicate that their 1973 gross current earnings amounted to \$5,017 million. Expenses totaled \$495 million, leaving net current earnings of \$4,522 million. With an \$81 million net deduction from profit and loss account (due to losses of \$35 million on the sale of U.S. Government securities and \$46 million on foreign exchange transactions), net earnings before payments to the U.S. Treasury were \$4,441 million. Payments to the Treasury as interest on Federal Reserve notes amounted to \$4,341 million; statutory dividends to member banks, \$49 million; and additions to surplus accounts, \$51 million.

Under the policy adopted by the Board of Governors at the end of 1964, all net earnings after the statutory dividend to member banks and additions to surplus to bring it to the level of paid-in capital were paid to the U.S. Treasury as interest on Federal Reserve notes.

EARNINGS, EXPENSES, AND DISTRIBUTION OF NET EARNINGS OF FEDERAL RESERVE BANKS, 1973 AND 1972

In thousands of dollars

Item	1973	1972
Current earnings	5,016,769	3,792,334
Current expenses	495,117	414,606
Current net earnings	4,521,652	3,377,728
Net deduction from current net earnings	-80,654	-49,616
Net earnings before payments to U.S. Treasury	4,440,998	3,328,112
Dividends paid	49,140	46,183
Payments to U.S. Treasury (interest on F. R. notes)	4,340,680	3,231,268
Transferred to surplus	51,178	50,661

Compared with 1972, gross earnings were up \$1,225 million, or 32 per cent. The principal changes in earnings were as follows: on U.S. Government securities, an increase of \$1,125 million; on discounts and advances, an increase of \$95 million.

NEW PUBLICATION

Joint Treasury-Federal Reserve Study of the U.S. Government Securities Market: Staff Studies—Part 3 is available for distribution. It consists of the following three papers: "New Techniques in Debt Management from the Late 1950's Through 1966" by Lawrence Banyas; "Dealer Profits and Capital Availability in the U.S. Government Securities Industry, 1955-65" by William G. Colby, Jr.; and "Automating Operations in the Government Securities Market" by Felix T. Davis and Matthew J. Hoey. Copies may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is \$1.00 per copy; in quantities of 10 or more sent to one address, 85 cents each.

REVISED CHARTS FOR STAFF STUDY ON ENERGY

Three charts appearing in "U.S. Energy Supplies and Uses" published in the December 1973 Federal Reserve BULLETIN have been revised and are included in the reprint.

Revised Charts 13 and 14 provide more appropriate subdivisions of annual energy data between end-product and processing uses in the period immediately after World War II. At that time total coal shipments for rail, vessel, and space-heating purposes were still large, and this was not ade-

quately illustrated by the data used for the original charts.

Chart 17 has been amended to show an approximate adjustment for the quantity of Btu's "lost" in the conversion of fossil fuels in the generation of electricity.

The three revised charts are available, either separately or in the reprint, from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

PUBLISHED INTERPRETATIONS OF THE BOARD

Supplement No. 20 to the looseleaf compilation of "Published Interpretations of the Board of Governors of the Federal Reserve System," con-

taining the published interpretations as of June 30, 1973, is now available.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period December 16, 1973, through January 15, 1974:

Florida

Hillsborough County American Guaranty
Bank

Michigan

Livonia Manufacturers Bank of Livonia

New York

Syracuse Chemical Bank of Syracuse

Announcements

REDESIGNATION OF CHAIRMAN BURNS AS CHAIRMAN OF THE BOARD

The President of the United States on January 28, 1974, issued an Order redesignating Arthur F. Burns as Chairman of the Board of Governors of the Federal Reserve System, to serve as such for a term of 4 years from February 1, 1974, unless and until his services as a Member of the Board of Governors shall have sooner terminated.

Dr. Burns, whose 14-year term as a Member of the Board will expire on January 31, 1984, has served as both a Member of the Board and its Chairman since February 1, 1970. Just prior to his appointment to the Board, Dr. Burns served as Counsellor to the President from January 1969 to January 1970.

CHANGE IN BOARD STAFF

The Board of Governors announced the promotion of John Nicoll, who has been Assistant General Counsel in the Legal Division, to Deputy General Counsel, effective February 8, 1974.

TERMINATION OF VFCD GUIDELINES

The Board of Governors announced on January 29, 1974, the immediate termination of its Voluntary Foreign Credit Restraint Guidelines (VFCD). The program was designed to restrain foreign lending and investment overseas by banks and other financial institutions.

The Board's announcement was made in conjunction with actions by the Treasury Department to reduce the interest equalization tax to zero and by the Commerce Department to terminate its foreign direct investment restriction. The Federal Reserve has administered the VFCD program since early 1965 at the request of the administration.

In announcing its action, the Board said it would request banks and other financial institutions to continue during 1974 to report their overseas lending and investments to the Board, but in substantially reduced detail.

COMMITTEE ON MONETARY MEASUREMENTS

In view of the importance of monetary measurements, the Board of Governors announced on January 31, 1974, the formation of a special com-

mittee of prominent academic experts to review concepts, procedures, and methodology involved in estimating the money supply and other monetary aggregates.

This committee, which is expected to complete its studies within a year, will be chaired by Professor G. L. Bach of Stanford University.

Other committee members are Phillip D. Cagan of Columbia University, who will serve as Executive Secretary of the committee; Milton Friedman of the University of Chicago; Clifford G. Hildreth of the University of Minnesota; Paul W. McCracken of the University of Michigan; Franco Modigliani of the Massachusetts Institute of Technology; and Arthur M. Okun of the Brookings Institution.

DRAFT LEGISLATION FOR UNIFORM RESERVE REQUIREMENTS

The Board of Governors on January 25, 1974, sent to Congress draft legislation designed to implement its recommendations for uniform reserve requirements. The proposed legislation has the following purposes:

To achieve better management of money and credit, to provide a more equitable system of reserve requirements among financial institutions that offer similar deposit services, and to permit Federal Reserve lending assistance to a broader range of financial institutions when and as they come under unusual liquidity pressures.

The draft legislation would extend reserve requirements set by the Federal Reserve to the demand deposits and Negotiable Orders of Withdrawal (NOW's), at all financial institutions—commercial banks, savings and loan associations, and mutual savings banks. The proposal would also provide a widening of the permissible range of reserve requirements.

The Board said the basic principle underlying the proposed legislation is that equivalent cash reserve requirements should apply to all deposits that effectively serve as a part of the public's money balances, regardless of the type of institution in which those balances are held.

While providing a greater measure of monetary control in the economy, the draft legislation would at the same time preserve the balance of supervi-

sory powers inherent in a dual banking system. More than 3,000 of the smaller nonmember banks will be effectively exempt from the new requirements. In addition, the proposal would not require State banks to join the system—membership would be optional for these institutions. Regardless of their membership status, however, State banks under the legislation would be subject to Federal Reserve reserve requirements on demand deposits and NOW accounts, and would have access to Federal Reserve credit at the discount window. Supervision of thrift institutions also would remain unchanged.

Reserve requirements set by State authorities under State law vary from State to State. In about half, the percentage requirements for demand deposits are identical or differ very little (except for large banks) from the percentages now set by the Federal Reserve. Percentages in 15 States are higher while in 7 other States they are lower.

The major difference between State require-

ments and reserve requirements set by the Federal Reserve, however, is in the form in which requirements are held. Reserve requirements set by the Federal Reserve must be held, under law, in the form of vault cash or funds deposited with a Federal Reserve Bank. State requirements can be satisfied not only by holding cash but also in a number of other ways—by holding deposits with other banks or by holding interest-bearing Federal or State securities. Reserves held in this manner do not contribute to the monetary policy function of reserves since the funds are available to finance additional deposits and credit expansion. Thus, the principal thrust of the proposed legislation would be to change the form in which nonmember banks hold their reserves—that is, by requiring them to hold reserves in the form of cash or balances with the Federal Reserve Banks.

The proposal, which differs in some details from earlier recommendations by the Board, would provide a 4-year transition period—during which

FEDERAL RESERVE BANK AND BRANCH DIRECTOR CHANGES DURING 1973

Federal Reserve Bank and Branch:

<i>New York</i>	William S. Sneath, President, Union Carbide Corporation, New York, New York, was elected in Class B, Group 2, on August 15.
<i>Philadelphia</i>	William S. Masland, President, C. H. Masland and Sons, Carlisle, Pennsylvania, was elected in Class B, Group 1, and John C. Tuten, Chairman of the Boards and Chief Executive Officer, National Central Bank and National Central Financial Corporation, Lancaster, Pennsylvania, was elected in Class A, Group 1, on March 13.
<i>Richmond</i>	
Baltimore	J. Pierre Bernard, Chairman of the Board, The Annapolis Trust Company, Annapolis, Maryland, was appointed on June 14 to succeed Tilton H. Dobbin, President and Chairman of the Executive Committee, Maryland National Bank, Baltimore, Maryland, who resigned.
<i>Atlanta</i>	
Birmingham	Frederick G. Koenig, Jr., President and Chief Executive Officer, Alabama By-Products Corporation, Birmingham, Alabama, resigned on July 11.
<i>St. Louis</i>	
Little Rock	Will H. Kelley, Chairman of the Board, The State First National Bank of Texarkana, Arkansas, resigned on September 18.
<i>Dallas</i>	
Houston	Carl B. Sherman, President, Houston Lighting and Power Company, Houston, Texas, was appointed on August 18 to succeed R. M. Buckley, President, Eastex Incorporated, Silsbee, Texas, who resigned on April 30.
<i>San Francisco</i>	
Los Angeles	Joseph R. Vaughan, President, Knudsen Corporation, Los Angeles, California, was appointed on July 27 to succeed Ruth Handler, President, Mattel, Hawthorne, California, who resigned on April 19.

reserve requirements would gradually be phased in—for institutions not now subject to Federal Reserve requirements.

Details of the draft legislation are as follows:

1. Demand deposits would be subject to a reserve requirement, set by the Board, ranging from 5 per cent to 22 per cent. The present range is from 7 per cent to 22 per cent—from 10 to 22 per cent at reserve city banks and from 7 to 14 per cent at other banks. Under the proposal, no distinction would be made between reserve city and other banks.

2. Interest-bearing deposits from which withdrawals may be made by negotiable instrument (such as NOW's) would be subject to a reserve requirement ranging from 3 per cent to 20 per cent. NOW accounts at member banks in Massachusetts and New Hampshire—the only States where such accounts are permissible—are at present subject to the reserve requirement that applies to time and savings deposits, which may range from 3 per cent to 10 per cent.

3. There would be no required reserves against the first \$2 million of net demand deposits and NOW's at nonmember institutions.

4. Time and savings deposits of member banks would be subject to a reserve requirement ranging from 1 per cent to 10 per cent (instead of 3 per cent to 10 per cent as at present). Time and savings deposits of nonmember institutions would not be subject to Federal Reserve reserve requirements.

5. Every institution that receives demand deposits or offers NOW accounts would be required to report its deposit liabilities and required reserves, if any, as the Board requested.

6. Nonmember institutions that would be required to maintain Federal Reserve reserve requirements would be able to obtain credit through the Federal Reserve discount window, subject to regulations issued by the Board.

7. A transition period of 4 years would apply to the total amount of demand deposits held by nonmember institutions at the time of enactment of the new law. During the first calendar year following the date of enactment, an institution would be required to carry 20 per cent of the required reserve on these base period demand deposits, 40 per cent during the second year, 60 per cent during the third year, 80 per cent during the fourth year, and 100 per cent after that. Additions to demand deposits beyond the base period amount would be subject to the full reserve requirement.

8. The new law would become effective at the beginning of the first calendar year following its enactment.

The essential function of Federal Reserve reserve requirements is to serve as a fulcrum for monetary policy. Such reserve requirements pro-

vide a known and controllable base through which the reserve-supplying and reserve-absorbing actions of the Federal Reserve can affect the supply of money and credit. The different reserve requirements set by the various States do not serve this purpose.

Federal Reserve reserve requirements, however, presently apply only to banks that are members of the Federal Reserve System—about 5,700 of 14,000 total commercial banks in the country.

The proportion of demand deposits held by member banks has been declining over the years, however, so that the Federal Reserve's control over bank reserves (and the money supply) has been eroding. In 1960 member banks held about 83 per cent of the demand deposits that make up the money supply. Presently, about 75 per cent of the demand deposit component of the money supply is held at member banks. Also, the demand deposit component of the money supply has grown more rapidly at nonmember banks than at member banks, and the rate of growth at nonmember banks has varied much more from year to year. Since 1960 the demand deposit component of the money supply held at nonmember banks has grown by about 164 per cent, while the growth at member banks has been about 61 per cent.

In a letter transmitting the draft legislation to Congress, Board Chairman Arthur F. Burns described the situation in this way:

Recent trends in nonmember demand deposits and in the development of NOW accounts surely presage a continued, and perhaps accelerated, growth of money-type deposits at nonmember financial institutions. No one can be certain at what exact point this growth will make control over monetary aggregates ineffective, but erosion of the reserve base progressively weakens the reliability of our present monetary instruments.

The proposed legislation extends reserve requirements set by the Federal Reserve only to accounts which are directly employed in making money payments—that is, to demand deposits and to savings accounts with third party payment features. The proposal does not recommend applying Federal reserve requirements to time and savings deposits other than NOW accounts. These deposits do in some degree serve a money-like function, but they are not highly active deposits. Also, under present conditions, there do not appear to be frequent, or large-scale, shifts of funds back and forth between demand and time (or savings) accounts. Shifts among demand deposits, NOW accounts, and other time deposits would become more prevalent in the future, however.

The proposed legislation is not intended to alter the existing chartering options for banking

institutions, to favor or disadvantage different types of institutions, or to change the balance among supervisory authorities. State-chartered institutions may continue either to join the Federal Reserve System or not, as they choose. Whether they do or do not—and it is anticipated that many would remain outside the System—they would become subject to reserve requirements set by the Federal Reserve on demand deposits and on NOW and similar savings accounts.

Thus, the specific proposals have been drawn in such a way as to achieve more precision in monetary control and more equity in competition without altering the diversified banking and financial structure that now serves the country. . . .

CHANGE IN SWAP ARRANGEMENTS

The Federal Reserve announced on February 1, 1974, that its reciprocal currency "swap" arrangement with the Bank of Italy had been increased by \$1 billion, bringing the total of that arrangement to \$3 billion. A swap arrangement is a renewable, short-term facility under which a central bank agrees to exchange on request its own currency for the currency of the other party up to a specified amount over a specified period of time.

In conjunction with this announcement, Federal Reserve Chairman Arthur F. Burns said that the Federal Reserve System will consider possible increases in its other swap lines, as needed.

Australian National Bank	\$ 250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	2,000
Bank of France	2,000
German Federal Bank	2,000
Bank of Italy	3,000
Bank of Japan	2,000
Bank of Mexico	180
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	1,400
Bank for International Settlements	
Swiss francs/dollars	600
Other European currencies/dollars	1,250
Total	18,980

The \$1 billion increase in the Federal Reserve arrangement with the Bank of Italy enlarges the System's swap network with 14 central banks and the Bank for International Settlements to \$18.98 billion. The Federal Reserve swap network was initiated in 1962. In all reciprocal currency arrangements the Federal Reserve Bank of New York acts on behalf of the Federal Reserve System

under the direction of the Federal Open Market Committee.

The Federal Reserve's reciprocal currency arrangements (in millions of dollars) are shown in the accompanying table.

ISSUANCE OF SPECIAL ROUTING NUMBERS TO THRIFT INSTITUTIONS

The Board of Governors announced on February 14, 1974, that the Federal Reserve had begun authorizing issuance of special routing numbers to thrift institutions. The numbers enable these institutions to participate, where authorized by State or Federal law, in the System's check clearance and automated clearing-house facilities by routing entries through a Federal Reserve member bank.

The Federal Reserve Bank of Boston has authorized 103 such "pass-through" clearing numbers to mutual savings banks and savings and loan associations in Massachusetts and New Hampshire. In this case, the numbers are used to facilitate the clearing of negotiable orders of withdrawal (NOW's), which function as checks and are written by customers of the thrift institutions against their savings accounts.

The Congress last fall authorized customers of all depository institutions in the two States to write the check-like NOW's on interest-paying savings accounts. Previously, checks could be written only against non-interest-paying demand deposits. Authorization of NOW's created a new type of funds transfer instrument, calling for revision of established clearance practices. The numbers assigned appear as a part of the magnetic ink encoding on the lower left corner of such instruments.

The Board also said it was authorizing issuance of similar numbers to mutual savings banks and savings and loan associations, as it becomes necessary, to enable them to make effective use, through participating commercial banks, of facilities operated by the Federal Reserve in automated clearing-house arrangements.

Such automated clearing-house facilities are in use in California and Georgia in connection with electronic funds transfer systems being operated by groups of private banks. The pass-through numbers can be used to afford customers of non-bank depository institutions parallel treatment in the receipt of deposits transferred electronically through such automated clearing houses. Thrift institutions making use of such special routing numbers can enable their customers to receive, for example, payroll deposits made electronically through an automated clearing house, by routing

the deposit through member banks. Wherever statutory authority permits, and automated facilities exist, these numbers could also be used to accommodate payments arrangements in which customers of thrift institutions agree to allow their accounts to be debited electronically for contractual obligations, such as home insurance premium, rent, mortgage, and utility bill payments.

It should be pointed out that the assignment of these routing numbers does not convey any new services to thrift institutions, but rather facilitates more efficient automated provision of those services that thrift institutions and their customers are presently receiving.

The individual identification clearance numbers for thrift institutions are being established in the same manner as numbers identifying banks for check clearance have been established in the past. The thrift institution—as would a bank desiring a number for routing purposes—requests a number from the Rand-McNally Company, in Chicago, which assists in administering the numbering system used to sort and route checks. Rand-McNally informs the appropriate Federal Reserve Bank of the request and the number assigned, and the Reserve Bank authorizes the requesting institution to use the number. The number can then be used for routing purposes in Federal Reserve check processing computers and sorters, and in automated clearing-house computers.

AMENDMENT TO REGULATION H

The Board of Governors has announced a regulatory amendment effective March 2, 1974, prohibiting State-chartered member banks from lending on improved real estate or a mobile home in an identified flood hazard area unless the property is covered by appropriate flood insurance. The restriction applies also to such property in any community in a designated flood hazard area not participating in the national flood insurance program by July 1, 1975.

In both cases the lending restrictions being added to the Board's Regulation H—dealing with unsafe, unsound, or illegal banking practices—are required to implement the Flood Disaster Protec-

tion Act of 1973 (P.L. 93-234). The new legislation, signed into law by the President December 31, 1973, increases the limits of coverage. The Act requires Federal agencies regulating financial institutions to direct institutions subject to their rules:

... not to make, increase, extend, or renew (after March 2, 1974) any loan secured by improved real estate, or mobile home, located or to be located in an area identified by the Secretary (of Housing and Urban Development) as an area having special flood hazards, where Federal flood insurance is available, unless

... the property is covered for the term of the loan by flood insurance in an amount at least equal to the outstanding principal balance or to the maximum limit of coverage ... under the Act, whichever is less.

A similar prohibition affects lending on property in communities located in designated flood hazard areas unless, by July 1, 1975, such communities are participating in the national flood insurance program.

An exception applies to State-owned property covered under self-insurance satisfactory to the Secretary of HUD. The Secretary is required to publish lists of states falling within the exemption.

Other Federal regulatory agencies are publishing similar rules restricting lending under the new flood insurance legislation.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period January 16, 1974, through February 15, 1974:

Florida

Kissimmee Marine Bank of Kissimmee
Sarasota Palmer Bank of Gulf Gate

Mississippi

Poplarville First Citizens Bank and
Trust Company of Poplarville

Montana

Helena First Security Bank of Helena

Virginia

Springfield Northern Virginia Bank

Announcements

APPOINTMENT OF MR. WALLICH AS A MEMBER OF THE BOARD OF GOVERNORS

President Nixon on January 11, 1974, announced his intention to appoint Henry C. Wallich as a member of the Board of Governors of the Federal Reserve System. Mr. Wallich's appointment was subsequently confirmed by the Senate on February 8 and his oath of office was administered by Chairman Burns in the Board Room on March 8.

The text of the White House announcement follows.

The President announced his intention to nominate Henry C. Wallich, of New Haven, Connecticut, to be a member of the Board of Governors of the Federal Reserve System for a term of 14 years from February 1, 1974. He will succeed J. Dewey Daane, who has held the position since November 14, 1963, and whose term expired January 31, 1974.

Dr. Wallich has taught at Yale University since 1951 and is currently serving as the Seymour H. Knox Professor of Economics at Yale. He was a member of the Council of Economic Advisers from 1959 to 1961 and was Assistant to the Secretary of the Treasury from 1958 to 1959. He was with the Federal Reserve Bank of New York from 1941 to 1951. Since 1969 he has also been a senior consultant to the Department of the Treasury.

He was born on June 10, 1914, in Berlin, Germany. Dr. Wallich attended Munich University and Oxford University. He received his M.A. from New York University in 1939 and his Ph.D. from Harvard University in 1941. He became a U.S. citizen in 1944. From 1933 to 1939 he was with several banks and businesses in South America and New York, New York.

Dr. Wallich has been a columnist with *Newsweek* magazine since 1965 and is the author of several books. He served as U.S. Representative on the United Nations Experts Panel on Economic Consequences of the Arms Race during 1971-72. Dr. Wallich is a member of the Board of Directors of the Phoenix Mutual Life Insurance Company, United Illuminating Company, and the Lionel Edie Capital Fund.

He is married to the former Mable Inness Brown. They have two daughters and one son and reside in New Haven, Connecticut.

LETTER TO CONGRESS

The attention of interested readers is directed to a letter dated February 20, 1974, from Professor Milton Friedman to Senator William Proxmire concerning the conduct of monetary policy. Dr. Friedman's letter, commenting on a letter sent to Senator Proxmire by Chairman Arthur F. Burns on November 6, 1973, will be printed in the record of hearings of the Joint Economic Committee on the Economic Report of the President, Ninety-Third Congress, Second Session. The hearing record will also contain a copy of Chairman Burns' letter to Senator Proxmire, which prompted Professor Friedman's comments. Copies of the printed hearings may be obtained from the Joint Economic Committee.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following promotions, effective March 13, 1974: Charles L. Hampton from Associate Director to Director of the Division of Data Processing, and Henry W. Meetze from Assistant Director to Associate Director, Division of Data Processing.

FEDERAL OPEN MARKET COMMITTEE MINUTES

The Federal Reserve has announced that minutes of discussions and actions at the meetings of the Federal Open Market Committee during 1968 are being transferred to the National Archives.

These minutes are contained in approximately 1,500 pages of typed material. Their transfer has been arranged on the understanding that the National Archives will make them available for inspection by interested persons under its usual rules and procedures.

Similar records for earlier years are already available at the National Archives on the same basis; minutes of the Committee for 1936 through 1960 were transferred in 1964, those for 1961 were transferred in 1967, those for 1962 through 1965 were transferred in 1970, those for 1966 were transferred in 1972, and those for 1967 were transferred last year. The National Archives will furnish complete microfilm copies of these earlier

minutes for a fee, and will be prepared later to furnish similar copies of the 1968 minutes.

Copies of the minutes for 1968 also will be made available later for public inspection at the Board's offices in Washington and at each Federal Reserve Bank and Branch, the same procedure followed with respect to earlier records. Meanwhile, a work copy is available for inspection at the Board's offices, and another at the Federal Reserve Bank of New York.

Release of the minutes from 1962 on has presented special problems involving international financial relationships, an area in which Federal Reserve activity has increased considerably in recent years. As in the case of the 1962-67 minutes, a number of passages have been deleted from the 1968 minutes, with a footnote in each case indicating the general nature or subject of the deleted matter.

AMENDMENT OF REGULATION Y

The Board of Governors announced on February 26, 1974, that it is adding to the list of activities permissible for bank holding companies the provision of certain kinds of management consulting advice, under specified conditions, to banks not affiliated with the holding company.

At the same time, the Board issued an interpretation defining terms and illustrating the intended scope of the management consulting activity. (See Law Department.)

The Board had previously held that while a bank holding company can by statute perform services—including management consulting services—for its affiliated banks, a bank holding company may not engage in general management consulting. The present ruling permits management consulting advice to be furnished to banks not affiliated with the company. In performing this activity, however, bank holding companies may not perform tasks or operations or provide services to client banks either on a daily or a continuing basis. The scope of management services to affiliated banks is not affected.

ADMISSION OF STATE BANK TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following bank was admitted to membership in the Federal Reserve System during the period February 16, 1974, through March 15, 1974:

Virginia

Culpeper New Bank of Culpeper

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the promotion of John S. Rippey to Assistant to the Board to work on congressional matters, effective April 29, 1974. He succeeds Robert L. Cardon, who has retired from the Board's staff.

The Board has also appointed Donald J. Winn, legislative and administrative aide to Representative Fernand J. St Germain of Rhode Island, to succeed Mr. Rippey as Special Assistant to the Board.

Mr. Winn holds bachelor's and master's degrees from Boston College and a bachelor of divinity degree from Weston College, Weston, Massachusetts, and he has studied law at Georgetown University.

RULES RELATING TO BANKERS' ACCEPTANCES

The Federal Reserve announced a realignment and a modernization of its rules relating to open market operations in bankers' acceptances, effective April 1, 1974.

No major change in System operations in bankers' acceptances is expected to result from this action, which eliminates outdated provisions in the rules and broadens somewhat the scope of bankers' acceptances eligible for purchase by the Federal Reserve. Bankers' acceptances are primarily negotiable time drafts drawn to finance the international or domestic shipment or storage of goods and are termed "accepted" when a bank assumes the obligation to make payment at maturity.

In companion actions, the Board of Governors rescinded its Regulation B—relating to open market purchases of bills of exchange and acceptances—while the Federal Open Market Committee (FOMC) incorporated the major elements of that regulation, with some technical changes, into its rules on the conduct of open market operations.

The new rules authorize the Federal Reserve Bank of New York to buy (outright or under repurchase agreement) and sell "prime" bankers' acceptances, with maturities of up to 9 months at the time of acceptance, that arise out of:

1. The current shipment of goods between countries or within the United States, or

2. The storage within the United States of goods under contract of sale or expected to move into the channel of trade within a reasonable time and that are secured throughout their life by a warehouse receipt or similar document conveying title to the underlying goods.

The new rules eliminate the present requirement that banks have in their possession shipping documents conveying or securing title at the time they accept drafts covering the shipment of goods within the United States. The removal of this requirement would eliminate a presently existing difference between the documentation required for international and domestic shipment of goods.

The amendments also remove dollar exchange bills from the list of acceptances authorized for System purchase, since these instruments are seldom used; increase from 6 to 9 months the maturity of acceptances eligible for purchase by the Federal Reserve; and broaden the definition of such acceptances to include those that finance the storage of *any* goods rather than "readily marketable staples."

In taking this action, the FOMC also instructed the System's staff to continue its studies to determine whether Federal Reserve open market operations in bankers' acceptances should be expanded to encompass all types of "prime" acceptances, including finance bills. The Board last year applied a reserve requirement to finance bills.

In another action, the Board of Governors announced the revocation of its Regulation C entitled "Acceptances by Member Banks of Drafts or Bills of Exchange." This regulation was outdated and primarily repeated the provisions of the Federal Reserve Act relating to this area.

RULES RELATING TO BANK HOLDING COMPANIES

The Board of Governors has revised its rules under which Federal Reserve Banks can approve, on behalf of the Board, certain bank holding company formations, bank acquisitions, and bank mergers. The revised rules also give the Reserve Banks authority to approve the merger or consolidation of bank holding companies, on the basis of criteria similar to those for bank acquisitions by holding companies.

The Board's rules regarding delegation of authority previously had authorized Reserve Banks to approve—on the basis of criteria set forth by the Board—the formation of one-bank holding companies, bank acquisitions by existing bank holding companies, and bank mergers. Reserve Banks may now approve bank acquisitions by bank holding companies where revenues of the applicant from nonbank activities are as much as 20 per cent of its total operating income, instead of 10 per cent as previously. Second, Reserve Banks may approve the financing of bank holding company formations and mergers and of bank acquisitions by bank holding companies involving debt, with respect to all the holding company's acquisitions, amounting to as much as 20 per cent of the equity capital accounts of the holding company, instead of 10 per cent as previously.

A new criterion regarding bank holding company formations and mergers, bank acquisitions, and mergers of banks prohibits action under delegated authority on applications involving a covenant not to compete.

INCREASE IN SWAP ARRANGEMENTS

The Federal Reserve announced on March 26, 1974, that its reciprocal currency "swap" arrangement with the Bank of England has been increased by \$1 billion, bringing the total of that arrangement to \$3 billion.

The increase enlarges the System's swap network with 14 central banks and the Bank for International Settlements to \$19.98 billion.

A swap arrangement is a renewable, short-term facility under which a central bank agrees to exchange on request its own currency for the currency of the other party up to a specified amount over a limited period of time. The Federal Reserve swap network was initiated in 1962. In all reciprocal currency arrangements the Federal Reserve Bank of New York acts on behalf of the Federal

Reserve System under the direction of the Federal Open Market Committee.

The Federal Reserve's reciprocal currency arrangements are shown in the table below:

<u>Institution</u>	<u>Millions of dollars</u>
Austrian National Bank	250
National Bank of Belgium	1,000
Bank of Canada	2,000
National Bank of Denmark	250
Bank of England	3,000
Bank of France	2,000
German Federal Bank	2,000
Bank of Italy	3,000
Bank of Japan	2,000
Bank of Mexico	180
Netherlands Bank	500
Bank of Norway	250
Bank of Sweden	300
Swiss National Bank	1,400
Bank for International Settlements:	
Swiss francs/dollars	600
Other European currencies/dollars	1,250
Total	19,980

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period March 16, 1974, through April 15, 1974:

Minnesota

Apple Valley First State Bank
of Apple Valley

Montana

Polson First Citizens Bank of Polson

Tennessee

Chattanooga Commerce Union Bank
Chattanooga

Virginia

Brookneal First Virginia Bank—
South Central

Vienna Bank of Vienna

Announcements

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the promotion of Andrew F. Oehmann to Assistant to the General Counsel in the Legal Division, effective May 5, 1974.

In addition the Board has appointed Paul Wonnacott as an Associate Director in the Division of International Finance, effective May 13, 1974, and Charles R. McNeill as Assistant to the General Counsel in the Legal Division, effective May 20.

Prior to joining the Board's staff, Mr. Wonnacott was Professor of Economics at the University of Maryland. He holds degrees from the University of Western Ontario (B.A.) and Princeton Univer-

sity (M.A. and Ph.D.). Mr. McNeill, formerly with the Treasury Department and the American Bankers Association, holds degrees from Amherst College (B.A.) and Harvard Law School (J.D.)

CHANGE IN DISCOUNT RATE

The Board of Governors of the Federal Reserve System approved actions by the directors of the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Kansas City, Dallas, and San Francisco, increasing the discount rate of those Banks from 7½ per cent to 8 per cent, effective April 25. Subsequently, the Board approved similar increases for the Federal Reserve

FEDERAL RESERVE BANK AND BRANCH DIRECTOR CHANGES

Federal Reserve Bank and Branch:

Cleveland

Pittsburgh Richard M. Cyert, President, Carnegie-Mellon University, Pittsburgh, Pennsylvania, was designated Chairman of the Pittsburgh Branch, effective May 1, 1974, to succeed Douglas Grymes, President, Koppers Company, Pittsburgh, Pennsylvania, who resigned.

Atlanta

Birmingham Lawrence Harris, President, Slocomb National Bank, Slocomb, Alabama, resigned, effective March 15, 1974.

Jacksonville Richard A. Cooper, Chairman of the Board, First National Bank of New Port Richey, New Port Richey, Florida, was appointed, effective February 8, 1974, to succeed Lawrence McIntosh, President, First National Bank of St. Petersburg, Florida, who resigned.

New Orleans Floyd W. Lewis, President and Chief Executive Officer, Middle South Utilities, New Orleans, Louisiana, was appointed, effective April 11, 1974, to succeed Broadus N. Butler, President, Dillard University, New Orleans, Louisiana, who resigned.

St. Louis

Memphis Robert E. Healy, Partner-in-Charge, Price Waterhouse and Company, Memphis, Tennessee, was appointed, effective March 7, 1974, to succeed Alvin Huffman, Jr., President, Huffman Bros. Lumber Company, Blytheville, Arkansas, whose term as a director expired December 31, 1973.

San Francisco

Los Angeles Armando M. Rodriguez, President, East Los Angeles College, Los Angeles, California, was appointed, effective April 30, 1974, to succeed Edward A. Sloan, President, Sloan's Dry Cleaners, Los Angeles, California, whose term as a director expired December 31, 1973.

Banks of Chicago, St. Louis, and Minneapolis, effective April 26, the Reserve Bank of Atlanta, effective April 29, and the Reserve Bank of Boston, effective April 30. At that time the rate was 8 per cent at all Reserve Banks.

The action was taken in the light of a recent rapid rise in money and bank credit and in recognition of increases that have already occurred in other short-term interest rates. The problem of inflation continues to be of serious concern to the Board.

The discount rate is the rate charged member banks for borrowing from their district Federal Reserve Banks.

EXPERIMENTAL PROJECT IN INDIANA

The Federal Reserve announced on May 6, 1974, the start of an experimental project with the Indiana Department of Financial Institutions for changes in the procedures by which the Federal Reserve Bank of Chicago examines State member banks in Indiana.

Under the new procedures, typically a single Federal Reserve examiner will accompany the full team of State examiners on an examination. The Federal Reserve examiner will have access to all materials and will attend meetings and discussions held with a member bank's officers and directors. In addition, the Federal Reserve examiner will ascertain the bank's compliance with Federal laws.

Previously, both the State and the Federal Reserve Bank of Chicago ordinarily assigned a complete team of examiners to conduct separate examinations of State member banks.

As a supplement to the information collected by the Federal Reserve through the revised procedures, the experimental project will include an intensified program of analyzing the flow of current information available to the Reserve Bank regarding each member bank. This will help test the feasibility of achieving more effective supervision of State member banks.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period April 16, 1974, through May 15, 1974:

Florida

Sarasota Ellis Commercial Bank

Minnesota

Le Seur Le Seur State Bank

Montana

Great Falls Trust Corporation of Montana

New York

New York Barclays Bank of New York

Virginia

Mount Jackson The Stonewall Jackson Bank and Trust Company

Announcements

RESIGNATION OF MR. BRIMMER AS MEMBER OF THE BOARD OF GOVERNORS

Governor Andrew F. Brimmer, a Member of the Board of Governors of the Federal Reserve System, has announced his resignation from the Board, effective August 31, to accept a teaching position at Harvard University.

Governor Brimmer's letter of resignation to President Nixon and the President's letter of acceptance follow:

May 14, 1974

Dear Mr. President:

Please accept my resignation as a Member of the Board of Governors of the Federal Reserve System. If it is convenient to the Government, I would like to continue as a Member of the Board through August 31, 1974. Effective September 1, 1974, I will join the Faculty of Harvard University's Graduate School of Business Administration located in Boston, Massachusetts.

When President Lyndon B. Johnson discussed with me the possibility of his nominating me for membership on the Board, he asked whether—if I were appointed—I would remain a reasonable length of time. I told him that I would serve a reasonable period of time—although I might not be able to remain for a full 14-year term. At that time (in late February 1966) I was 39 years old, and I was planning to return in the fall of that year to my post at the University of Pennsylvania from which I was on leave of absence. I had already served nearly three years in the Federal Government—first as Deputy Assistant Secretary and then as Assistant Secretary for Economic Affairs in the Department of Commerce. By the end of next August, I will have served almost 8½ years as a Member of the Federal Reserve Board. In the just over 60-year life of the Federal Reserve System, the average tenure on the Board has been approximately seven years.

In leaving the Board, I would like to stress that I am not resigning because of any policy disagreements with my colleagues on the Board. I have found my service both exhilarating and highly satisfying. To serve as a Member of this Board is truly a rare—and perhaps unique—privilege. The strategic importance of the Federal Reserve's role in national economic policy is self-evident. During my years on the Board, there has been almost a complete change in membership, but the spirit of nonpartisan cooperation and commitment to the furtherance of the Nation's interest on the part of Members has not changed at all. And in carrying out the assignment given to us by the Congress, we have had the dedicated and

impartial support of what I believe is the best professional staff in the Federal Government. I am especially indebted to a number of its individual members for support over the years.

So, after 11 years of Federal Government service—and for a number of personal reasons—I feel that I must return to private life.

Sincerely yours,
s/Andrew F. Brimmer

THE WHITE HOUSE

June 3, 1974

Dear Governor Brimmer:

It is with great personal regret and a sense of real and substantial loss to the public service that I accept your resignation as a Member of the Board of Governors of the Federal Reserve System, effective August 31, 1974, as you requested.

In doing so, I want you to know of my deep appreciation for your dedicated and highly capable work on the Board. I am particularly pleased by your comment that, although nearly the entire Board has changed since you joined it in 1966, there has been no change in its nonpartisan commitment to the national interest. In appointing five of the Board's seven Members, I have endeavored to perpetuate that dedication to the public interest and to the well-being of the Nation's economy which characterizes the Board and each of its Members, and I value your judgment that we have been successful.

The rapid and fundamental change in the world economy which we have experienced in recent years has made it especially important that the leaders of our central bank subscribe to what Chairman Burns and former Chairman Martin have described as the Board's "independence within the Government." Throughout your eleven years of service to the Department of Commerce and to the Federal Reserve System, you have ably blended the combination of personal independence and institutional responsibility which that phrase so aptly communicates, thereby earning my highest esteem and the admiration and respect of each of your colleagues.

As you depart to join the Harvard faculty, I hope you will always look back with great pride on the outstanding contributions you have made to a more efficient and responsible Government and to the improved well-being of all our fellow citizens. You may be sure you take with you my warm best wishes for your continued success and for the good health and happiness of your family.

Sincerely,
s/Richard Nixon

CHANGE IN BOARD STAFF

The Board of Governors has announced the promotion of James R. Kudlinski from Assistant Director to Associate Director in the Division of Federal Reserve Bank Operations.

DIRECTOR OF FEDERAL RESERVE BANK

Edward J. Schnuck, Chairman of the Board, Schnuck Markets, Bridgeton, Missouri, was appointed Class C director, Chairman, and Federal Reserve Agent of the Federal Reserve Bank of St. Louis, effective May 22, 1974, to succeed the late Frederic M. Peirce, Chairman of the Board, General American Life Insurance Company, St. Louis, Missouri.

CHANGES IN REGULATIONS L AND Y

The Board of Governors has announced two regulatory changes designed to aid the development of banks in low income or other economically depressed areas, effective June 20, 1974.

One of the regulatory amendments makes an exception under Regulation L to permit interlocking personnel relationships, under certain conditions, in low income or depressed areas. Generally, directors, officers, and employees of member banks are prohibited from holding similar positions in another bank, savings institution, or trust company in the same, or adjacent, communities.

The second makes an exception under Regulation Y to permit a bank holding company that provides bank management consulting advice to an unaffiliated bank in a depressed or low income area to have interlocking personnel relationships with the nonaffiliated bank. In general, Regulation Y does not permit a bank holding company to give management consulting advice to a nonaffiliated bank if there are interlocking personnel relationships.

Interlocking personnel will be permitted only upon the following conditions:

- Any director, officer, or employee of a member bank may be a director, officer, or employee of not more than one other bank, located or to be located, in a low income or economically depressed area;
- The interlocking relationship is necessary to provide management or operating expertise;
- There are no more than three interlocking relationships between any two banks, and interlocking personnel do not constitute a majority of the board of directors of the bank being assisted;

- Interlocking relationships are not to last more than 5 years; and

- The Board may determine other terms and conditions in specific cases in addition to, or in lieu of, the above.

The Board also adopted an interpretation of its amendment to Regulation L setting forth criteria that may be used in designating a "low income or other economically depressed area." The Board said such an area is one, without regard to political or other subdivisions or boundaries, that has some or all of the following characteristics:

- A rate of unemployment substantially above the national average.
- A median level of family income significantly below the national median.
- The economy of the area has traditionally been dominated by one or two industries and these are in a state of long-term decline.
- Labor and capital are leaving the area to a substantial degree.
- The area is adversely affected by changing industrial technology.
- The area is adversely affected by changes in national defense production or facilities.

POSTPONEMENT OF AMENDMENT TO REGULATION T

The Board of Governors has postponed until January 2, 1975, the effective date of a regulatory amendment that will withdraw permission for brokers or dealers to sell certain kinds of investment contract securities on credit. (See BULLETIN for January 1974, p. 63.)

The action was taken to provide time for the Securities and Exchange Commission to receive and review comments on a proposal to amend its regulations governing the same types of securities.

REVISIONS IN MONEY STOCK AND RELATED MEASURES

Money stock and related measures, shown in the tables on page A-14 of this BULLETIN, have been revised to reflect new benchmark data for non-member banks available from the December 31, 1973, call report and from reports of foreign agencies and branches, as well as benchmark adjustments and seasonal factor revisions for the nonbank thrift institutions component of M_3 . Revisions for M_1 and M_2 affect 1973 data and for M_3 affect figures back to 1959. Detailed data are available from the Banking Section of the Board's Division of Research and Statistics.

PUBLICATION OF ANNUAL REPORT

The Sixtieth Annual Report of the Board of Governors of the Federal Reserve System, covering operations for the calendar year 1973, is available for distribution. Copies may be obtained upon request to Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

**ADMISSION OF STATE BANK TO
MEMBERSHIP IN THE
FEDERAL RESERVE SYSTEM**

The following bank was admitted to membership in the Federal Reserve System during the period May 16, 1974, through June 15, 1974:

Florida

Tampa Metropolitan Bank

Announcements

CHANGES IN BOARD STAFF

The Board of Governors announced on July 16, 1974, a reorganization of its staff, including establishment of a new Office of Saver and Consumer Affairs. The new office, to begin operation August 5, will combine in a separate department two sections of the existing Division of Supervision and Regulation: Securities Credit and Truth in Lending. It was created also in anticipation of the Board's possible responsibilities for implementation of certain pending consumer affairs legislation.

The Director of the new office will be Frederic Solomon, who has been Director of the Board's Division of Supervision and Regulation since 1959. Janet Hart, currently Assistant Director in the Division of Supervision and Regulation, will be Deputy Director.

At the same time, the Board announced other major staff structure and responsibility changes:

J. Charles Partee continues as Managing Director for Research and Economic Policy.

Effective August 19, Daniel M. Doyle will become Managing Director for Operations, replacing David C. Melnicoff who has announced his resignation as Managing Director for Operations and Supervision.

Lyle E. Gramley, now Deputy Director of the Division of Research and Statistics, will become Director of that Division, effective August 5.

Effective August 5, the Division of Supervision and Regulation will be renamed the Division of Banking Supervision and Regulation, with Brenton C. Leavitt as Director. Mr. Leavitt will continue as Program Director for Banking Structure.

John M. Denkler, currently Assistant Controller, will be Deputy Managing Director for Operations, effective August 19.

Also effective August 5, Robert J. Zemel will become Assistant Director of the Division of Data Processing. Mr. Zemel, a graduate of the City College of New York, has been with the Board since 1969.

The Board of Governors of the Federal Reserve System announced the appointment of Thomas J. O'Connell, General Counsel, as Counsel to the Chairman, effective July 10, 1974.

Also effective July 10 Andrew F. Oehmann was named Acting General Counsel.

CITICORP ISSUE OF FLOATING RATE NOTES: CORRESPONDENCE

The Board of Governors sent the following letter to Chairman Ray Garrett, Jr., of the Securities and Exchange Commission in response to a request for comment with respect to the preliminary prospectus of Citicorp covering its proposed issue of Floating Rate Notes due 1989.

July 2, 1974

Dear Mr. Garrett:

This is in reply to the request of your Division of Corporation Finance dated June 24, 1974, for Board comment on the preliminary prospectus of Citicorp covering its proposed issue of \$250 million (since raised to \$850 million) of Floating Rate Notes due 1989. Citicorp, as a registered bank holding company, is subject to the rules and regulations issued by the Board under the Bank Holding Company Act of 1956; First National City Bank, a wholly owned subsidiary of Citicorp, is directly supervised by the Comptroller of the Currency but for certain matters is subject to the rules and regulations applicable to member institutions of the Federal Reserve System.

Due to the specific characteristics of the proposed note issue, which include an interest rate that varies over time with the yield on 90-day Treasury bills and the option given to the holder to present the notes for redemption semiannually on 30 days' notice, it seems highly probable that the securities in question will appeal to relatively small investors, such as individuals. We understand that Citicorp proposes to limit subscriptions to not less than \$5,000 or more than \$50,000. Thus, it seems clear that the proposed issue will compete directly for funds that might otherwise be invested in time or savings deposits at commercial banks and other thrift institutions. Savings flows to these institutions have already fallen off in recent months, and the additional diversion of funds into the Citicorp issue may further worsen the experience of these institutions.

Competition for the funds of the saving public ought to be encouraged, as a general principle, because it increases the returns available to savers and normally tends to encourage efficient use of the Nation's financial resources. Given the present sensitive state of financial markets and the extent to which savings institutions are already under heavy pressure, however, the result of the present large offering—and any other offering like it, whether issued by bank holding companies or other corporations—can well be to divert the flow of savings from the residential mortgage market and to deprive homebuyers of needed mortgage financing. It is not clear, therefore, that an offering of this type is in the public interest at this time.

The Board's present statutory powers do not authorize it either to prevent or to regulate the terms of the Citicorp issue. The legislative history of the 1969 amendments to the Federal Reserve Act, which authorized the Board to determine what types of obligations issued by affiliates of member banks may be deemed to be deposits for purposes of the Board's regulations, makes it clear that such authority applies only to the extent that the proceeds of such affiliate obligations are used for the purpose of supplying funds to a member bank. To the extent that the proceeds of the Citicorp Notes may be used for supplying funds to member banks, they would be subject to reserve requirements, but not otherwise. Further, the Board has no grounds for objecting, under the authority of the Bank Holding Company Act, to the terms of the proposed security issue. Indeed, the financing would appear to improve the financial condition of Citicorp.

Nevertheless, in the interest of full and fair disclosure, the Board urges that all necessary steps be taken to make investors aware that the Citicorp Notes are not obligations of a bank and are not insured by the Federal Deposit Insurance Corporation. We would suggest that the SEC require the facing page of the prospectus be amended to include, in a prominent position in 10-point bold-face type, a statement along the following lines:

THESE NOTES ARE UNSECURED DEBT OBLIGATIONS OF CITICORP, ARE NOT LEGALLY ENFORCEABLE OBLIGATIONS OF ANY BANK AND ARE NOT INSURED BY THE FEDERAL DEPOSIT INSURANCE CORPORATION.

It is further suggested that the underwriters of the issue be required to include a similar legend in any advertisement of the Note issue, and that Citicorp include the same qualification on the face of any notes that may be issued subsequently.

The Board's staff is currently reviewing the prospectus and will communicate with your staff in the next few days regarding any additional comments that it may have.

Very truly yours,

George W. Mitchell

* * *

Dr. Arthur F. Burns, Chairman of the Board of Governors of the Federal Reserve System, sent the following telegram on July 9, 1974, to Citicorp, New York City, concerning its proposal to issue \$850 million in floating-rate notes:

In view of some concern on the part of Congress and the regulatory agencies, I most earnestly request that you postpone for an interval of two weeks the Citicorp floating interest rate issue. Such an interval would enable the Congress and the Government officials principally concerned to study with due

deliberation the economic and financial implications of this novel type of issue.

At the same time, the Board sent the following letter to Senator William Proxmire of Wisconsin.

July 9, 1974

Dear Senator Proxmire:

Your letter of July 8 requests the assistance of Board staff in developing possible legislative proposals that would give us authority to deal with bank holding company security offerings such as the proposed Citicorp issue. We are glad to comply, and our staff will be in touch with Mr. Shuman.

It is difficult at this time to predict what the effects of the Citicorp issue, and others like it that may follow, would be on the pattern and geographic distribution of financial flows. It seems probable that banks and thrift institutions would lose deposits to instruments of this type and, if the volume of such offerings were large, the amount of disintermediation could be significant. It should be recognized, however, that a sizable proportion of the subscriptions to such issues would represent shifts from other market instruments or the placement of funds that might have been withdrawn from banks and thrift institutions in any event.

The specific features of the proposed Citicorp issue are designed to be attractive to relatively small investors, and would place them more nearly on a parity with large investors so far as yields are concerned. On balance, it is not obvious that the long-run public interest would be best served by prohibiting or limiting innovative efforts of this kind. Instead it might be preferable to make plans for special assistance to the savings institutions and for provision of an adequate volume of housing finance. For example, the present program of subsidized lending by the Federal Home Loan Bank System might be expanded, and perhaps extended to mutual savings banks. Also, it may be desirable for Congress to consider permitting the Federal agencies to authorize the issuance of variable-rate deposit obligations not subject to interest rate ceilings. As offerings of the type proposed by Citicorp may proliferate, we believe that any such administrative plans and legislative proposals should be formulated promptly.

If, however, the Congress wishes to limit the ability of bank holding companies to offer instruments that might compete unduly with savings deposits, two possibilities come to mind. First, the Congress could indicate its intent, in PL 91-151, to give the Board authority to regulate the terms of the note issues of bank holding companies and their non-bank subsidiaries—regardless of the intended use of the proceeds. This would make it possible, for example, for the Board to limit the ability of the issuer to offer investors the option of periodic redemption of their notes. This redemption opportunity—particularly since it applies from issue date forward at six-month intervals—is the main feature that makes the proposed Citicorp issue appear similar to a time deposit.

A second approach, entailing more extensive regulatory involvement, would be to broaden existing regulatory authority with respect to the issuance of a "cease

and desist" order so that the Board, on a case-by-case basis, could determine that a proposed note issue would have a sufficiently adverse impact on financial markets or depository institutions to justify imposition of appropriate restrictions by the Board. Such authority would be extremely broad and flexible in character. It would not, of course, apply to issues by any corporations not affiliated with bank holding companies.

Sincerely,

Arthur F. Burns

* * *

The Board of Governors of the Federal Reserve System made public on July 12, 1974, the following further exchange of correspondence between Arthur F. Burns, Chairman of the Board of Governors, and Walter B. Wriston, Chairman of Citicorp, New York City.

July 11, 1974

Dear Mr. Chairman:

We refer to your telegram of July 9 in which you request that time be taken to think through the economic and financial implications of Citicorp's proposed note issue. As you know, we greatly respect your views, and want to do everything we can to accommodate them. With this in mind, I arranged to call upon you yesterday to explore ways in which we might resolve your concerns. As I understand it, the principal concern centers upon the possibility that the sale of these notes would cause disintermediation, particularly from thrift institutions.

The risk of possible disintermediation appears to center on the fact that the proposed note issue contains a provision that the purchaser of the note may ask the Corporation to redeem it at six months' intervals. Obviously, therefore, if this interval in the first instance could be extended this perceived danger would be reduced accordingly. With this in mind, discussions have been had with our underwriters as to how the note could be modified to still retain what you have referred to as "the attractive yield feature," while at the same time minimizing the problems which you perceive. After extensive negotiations, the underwriters have indicated to us that even though the extension of any redemption period may have an adverse effect upon the marketability of this issue, both they and we are prepared to amend the provisions of the notes so that no holder would have the right to request payment from Citicorp prior to December 1, 1975, a period of nearly one and a half years following the initial issuance.

Although we recognize, as you have previously stated, that the Federal Reserve Board takes the position that its present statutory powers do not authorize it to regulate the terms of the Citicorp note issue, we are also keenly aware of our responsibilities as a major

financial institution to act responsibly in the public interest.

Sincerely yours,

Walter B. Wriston

July 11, 1974

Dear Mr. Chairman:

We refer to your telegram of July 9, our meeting of July 10, our letter of July 11, and to subsequent conversations. It is my understanding that the Board of Governors does not feel that our proposal to postpone the first optional redemption date of the Notes to December 1, 1975, fully responds to their concern, and that this initial period should be extended to two years.

The difficulty in marketing the issue which may reach \$850 million is not unrelated to the length of time intervening between the issuance of the Notes and the first redemption date. In our continuing effort to be fully responsive to the Board's request, we have once again gone back to our underwriters and urged that they and we assume the additional risk which is inherent in extending the initial redemption date. Because the Notes are redeemable on interest payment dates which are stipulated to be June 1 and December 1, the underwriters will agree to accept an amendment to the terms of the issue which will provide that the first redemption date will fall on June 1, 1976. This would be a period of nearly two years and I believe conforms very closely to my understanding of the Board's request.

In responding affirmatively to the Board's request, we reaffirm that we are keenly aware of our responsibilities as a major financial institution to act responsibly in the public interest.

Sincerely yours,

Walter B. Wriston

July 12, 1974

Dear Walter:

In view of your modification of the terms of the projected Citicorp note issue, as explained in your second letter of July 11, 1974, namely that no holder of the notes would have the right to request payment from Citicorp before June 1, 1976, the Board feels that its concern about the effects on thrift institutions is substantially reduced. From the viewpoint of the Board, you have met the basic concern that gave rise to our request for a postponement of the issue.

However, there may still be serious doubts on the part of Congress and the other regulatory agencies, and you may therefore still want to consider the suggestion for a postponement that I made in my communication of July 9.

Sincerely yours,

Arthur F. Burns

OTC CRITERIA AMENDED

The Board of Governors has amended, effective July 25, the criteria that over-the-counter (OTC) stocks must meet and must continue to meet to be included on its List of OTC Margin Stocks. The amendments were substantially the same as those that were published for comment on April 16, 1974.

The criteria employed in selecting OTC stocks for inclusion on the List of OTC Margin Stocks were announced on July 9, 1969. More than 600 stocks are now on the list and subject to the Board's margin requirements.

The Board's action, which make the criteria somewhat less restrictive, reflects the many changes that have occurred in the OTC market since 1969, particularly the impact of the National Association of Securities Dealers Automated Quotation System (NASDAQ).

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period June 16, 1974, through July 15, 1974:

Florida

St. Petersburg ... Bank of Florida in St. Petersburg

Ohio

Lorain First Lorain Trust Company

Painesville Lakeshore Trust Company

Virginia

Charlottesville ... United Virginia Bank of Charlottesville

Hurt First Guaranty Bank

King George King George State Bank, Inc.

Petersburg Community Bank

BANKING OFFICES AND DEPOSITS OF BANKS IN HOLDING COMPANY GROUPS, DECEMBER 31, 1973—ERRATUM

The breakdown for the number of bank holding companies was inadvertently omitted from the table on this subject that appeared on pp. A 80–A 82 of the June BULLETIN. The total number of companies by State is shown in the table below.

State	Total	State	Total	State	Total	State	Total
50 States and District of Columbia 1,677							
Alabama	18	Idaho	3	Missouri	95	Pennsylvania	25
Alaska	2	Illinois	153	Montana	32	Rhode Island	10
Arizona	5	Indiana	29	Nebraska	127	South Carolina	8
Arkansas	19	Iowa	140	Nevada	3	South Dakota	28
California	42	Kansas	124	New Hampshire	6	Tennessee	19
		Kentucky	9	New Jersey	19	Texas	92
Colorado	73	Louisiana	17	New Mexico	11	Utah	10
Connecticut	9	Maine	7	New York	45	Vermont	2
Delaware	3	Maryland	16	North Carolina	7	Virginia	26
District of Columbia	5	Massachusetts	28	North Dakota	18	Washington	5
Florida	62	Michigan	42	Ohio	36	West Virginia	9
Georgia	30	Minnesota	108	Oklahoma	55	Wisconsin	56
Hawaii	1	Mississippi	4	Oregon	5	Wyoming	22

NOTE.—Data for individual States represent bank holding companies having subsidiary banks in the respective States rather than bank holding companies whose principal offices are located in such States. Total does not equal sum of State

figures because it has been corrected for duplications; that is, holding companies that have subsidiary banks in more than one State are included in the total only once.

Announcements

CHANGES IN BOARD STAFF

The Board of Governors has announced the appointment, effective September 1, 1974, of Theodore E. Allison as Secretary of the Board to succeed Chester B. Feldberg, who has returned to the Federal Reserve Bank of New York.

The Board has also announced the retirement of Samuel I. Katz, Adviser in the Division of International Finance, effective June 30.

REVISED RATES FOR THE FEDERAL RESERVE CHART BOOK ON FINANCIAL AND BUSINESS STATISTICS

Due to increased costs of publishing and distributing the Federal Reserve *Monthly Chart Book* on financial and business statistics and the annual *Historical Chart Book*, the subscription and per-copy rates have been revised. Effective September 1, 1974, the rates shown below will apply.

Annual subscriptions:	
Domestic	\$12.00
Foreign	15.00
Single copies (rates apply to both the monthly <i>Chart Book</i> and the annual <i>Historical Chart Book</i>):	
Domestic	1.25
Foreign	1.50
10 or more copies of one issue sent to a single address	1.00

INCREASE IN FEDERAL RESERVE HOLDINGS OF BANKERS ACCEPTANCES; CHANGE IN SYSTEM OPERATIONS IN FEDERAL AGENCY SECURITIES

The Federal Reserve has announced that, effective July 18, 1974, the limit on outright holdings of bankers acceptances that may be held by the Federal Reserve has been increased from \$125 million to \$500 million.

This action was taken by the Federal Open Market Committee at its meeting of July 16 in light of the sharp growth of outstanding acceptances over the past 10 years. The \$125 million limit was established by the FOMC in 1964 when outstanding acceptances totaled \$3.25 billion. At present almost \$12 billion in bankers acceptances are outstanding.

The new limit on outright holdings by the System is less than 5 per cent of outstanding accept-

ances, as was the old limit when it was established 10 years ago.

At the same time, the Committee removed two technical restrictions on System operations in Federal agency securities. The Trading Desk is now permitted to exchange with the issuing agency maturing securities for newly issued securities, instead of redeeming them at maturity. The second change permits the purchase of new agency issues as early as the issue date, rather than only after 2 weeks of market trading in the issue.

These changes bring System practices in operations in agency issues more closely in line with those for operations in Treasury securities.

The guidelines are as follows:

1. System open market operations in Federal agency issues are an integral part of total System open market operations designed to influence bank reserves, money market conditions, and monetary aggregates.

2. System open market operations in Federal agency issues are not designed to support individual sectors of the market or to channel funds into issues of particular agencies.

3. System holdings of agency issues shall be modest relative to holdings of U.S. Government securities, and the amount and timing of System transactions in agency issues shall be determined with due regard for the desirability of avoiding undue market effects.

4. Purchases will be limited to fully taxable issues for which there is an active secondary market. Purchases will also be limited to issues outstanding in amounts of \$300 million or over in cases where the obligations have a maturity of 5 years or less at the time of issuance, and to issues outstanding in amounts of \$200 million or over in cases where the securities have a maturity of more than 5 years at the time of issuance.

5. System holdings of any one issue at any one time will not exceed 20 per cent of the amount of the issue outstanding. Aggregate holdings of the issues of any one agency will not exceed 10 per cent of the amount of outstanding issues of that agency.

6. All outright purchases, sales, and holdings of agency issues will be for the System Open Market Account.

ADDED AUTHORITY FOR RESERVE BANKS

The Board of Governors announced on July 31, 1974, that it had delegated to the Federal Reserve Banks authority to approve, under Board guidelines, acquisitions by bank holding companies of existing small finance companies and industrial

banks, and existing insurance agencies in small towns.

The Reserve Banks already had authority to approve, under Board guidelines, certain formations and mergers of bank holding companies, bank mergers, and acquisitions by bank holding companies of banks and of certain *de novo* companies.

The new delegation expanded this authority to permit the Reserve Banks also to approve acquisitions, meeting Board criteria, of existing concerns in the finance company, industrial bank, and insurance agency fields only. Where a case does not meet the criteria for Reserve Bank action it must be forwarded to the Board.

Industrial banks and Morris Plan banks—which are also included in the new delegation—provide consumer credit and receive special types of deposits.

Under the new rules, Reserve Banks may approve applications, filed under standard procedures, for the acquisition of finance companies with assets no greater than \$5 million. An exception permits Reserve Bank approval of acquisitions of finance companies or industrial banks with assets no greater than \$15 million if this will not

bring the holding company's total of such holdings to more than \$50 million.

The total assets of all finance companies and industrial banks approved under delegated authority may not exceed \$15 million for any given holding company during any calendar year. Acquisitions approved directly by the Board do not count in this \$15 million.

The new rules also permit Reserve Banks to approve the acquisition or retention by holding companies of existing insurance agencies in or adjacent to offices of the holding company or its subsidiaries in towns with a population of 5,000 or less.

Reserve Banks now have authority to approve acquisition of such *de novo* insurance agencies.

REVISED OTC STOCK LIST

The Board of Governors has published a revised list of 709 over-the-counter (OTC) stocks that are subject to its margin regulations effective at the opening of business, Monday, July 29. It is available in mimeographed form from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

Announcements

FAC STATEMENT ON BANK LENDING POLICIES

The Board of Governors of the Federal Reserve System released on September 16, 1974, a statement on bank lending policies that was received from the Federal Advisory Council, a statutory body established under the Federal Reserve Act. The statement suggests how banks can effectively adapt lending policies in the current period of credit restraint.

The Board believes the Council's statement can be helpful to commercial banks in formulating their lending policies under current circumstances.

The Board regards restraint in lending policies as essential to the national effort to control inflation. Restraint best serves the public interest when limited credit resources are used in ways that encourage expansion of productive capacity, sustain key sectors of national and local economies, provide liquidity for sound businesses in temporary difficulty, and take account of the legitimate needs of individuals and of small as well as large businesses.

The Board noted particularly that the Council in its statement recognized "the special vulnerability of the homebuilding industry." An active homebuilding industry is vital to the well-being of local communities as well as of the Nation as a whole, and it is to the interest of banks and other financial institutions to give reasonable support to the financial needs of that industry.

The Federal Advisory Council is composed of 12 leading bankers, one from each Federal Reserve district. It was created by the Federal Reserve Act and under law is required to meet with the Board of Governors at least four times a year. The statement stems from a discussion of bank lending policies during a recent FAC meeting with the Board.

The FAC statement, which together with the Board's covering statement, was mailed to all member banks in the Federal Reserve System, is as follows:

The members of the Federal Advisory Council firmly believe that inflation remains our most acute domestic problem and that the effort to reduce it deserves the full dedication of all Americans. We have been pleased recently to observe the renewed

efforts of the administration and other segments of our national Government, in consultation with a broad representation of interested groups in the private sector, to identify appropriate and effective policies to deal with this problem.

As bankers we are acutely aware of the disproportionate role that a restrictive monetary policy has had to bear thus far in the fight against inflation. We are particularly hopeful that fiscal and other measures will be adopted that will soon alleviate this excessive reliance on monetary restraint and high interest rates, because government spending and budget deficits are a major cause of inflation.

We recognize, however, that regardless of the measures adopted, money and credit will necessarily remain limited in supply as long as inflationary pressures persist. We are confident that sufficient money will be made available to assure orderly operation of credit markets and to provide for the resumption of real growth in the economy. However, we foresee a period of considerable duration when the supply of lendable funds will be limited, and when, therefore, it will be necessary for banks to restrict the growth in their loan portfolios by selecting carefully and responsibly the uses to which they put their loanable funds.

It is also clear that this process contributes to the very desirable objective of reducing interest rates, a development banks welcome. Relief from the present unprecedentedly high rates would be particularly beneficial to those segments of the economy that are by their nature heavily dependent on borrowed money, such as housing and public utilities.

In view, therefore, of the extreme importance of bank lending policies in today's environment, we should like to describe those policies that we believe are appropriate in present circumstances and that, we feel, are already being followed by many banks.

The basic credit needs for normal operations of all established business customers should, of course, be met to assure the production and distribution of goods and services.

Loans to finance capital investment by business are also appropriate, where access to capital markets is not available and where the investment is reasonable in size and necessary to maintain or improve productivity, or to increase capacity to meet existing or clearly anticipated demand. In considering such loans, banks should weigh the relative importance of the particular business with respect to such factors as the nature of its product or service and its significance as an employer in the local area.

Particular consideration should be given to the needs of established businesses that are basically sound but that suffer a temporary lack of liquidity because of present conditions.

Loans for purely financial activities, such as acquisitions or the purchase of a company's own shares, would normally not be appropriate uses of limited bank funds.

Loans for speculative purposes, such as purchasing securities or commodities other than in the ordinary course of business, excessive inventory accumulation, or investing in land without well-defined plans for its useful development, are not generally suitable.

A regrettable aspect of restrictive monetary policy is that it tends to produce an uneven impact, bearing more heavily on some sectors of the economy than others. Therefore, banks should make an effort to utilize their limited funds equitably, giving consideration, for instance, to the special vulnerability of the homebuilding industry.

Similarly, consumer credit should receive its share of bank funds. The basic requirements of individuals for household needs and automobiles should be accommodated, but discretionary spending that might be deferred should not be encouraged.

Loans to foreigners that are funded from domestic sources should also be weighed against the above criteria. In addition, banks should give careful consideration to the diversion of loan funds from U.S. customers through such loans.

Implicit in these policies is a need for close communication and counseling between bankers and their customers to agree on ways to reduce or defer borrowing needs or to identify alternate sources of financing.

The Council recognizes that it is impossible to prescribe a precise and particular list of priorities for proper bank lending. We do feel, however, that the policies outlined describe a responsible posture that is appropriate to present circumstances. We believe that governmental credit allocations are not needed and that they would be counter-productive.

We are confident that the Nation's banks will continue to cooperate with our Government and all sectors of the economic community in implementing sound and necessary national policy.

CHANGE IN MARGINAL RESERVE REQUIREMENT

The Board of Governors announced on September 4, 1974, the removal of its 3 per cent marginal reserve requirement on large-denomination certificates of deposit with an initial maturity of 4 months or longer.

This regulatory action will lower somewhat the cost to banks of issuing longer-term CD's and should therefore encourage banks to lengthen the maturities of their large CD's.

Longer-term CD's of \$100,000 or more and related instruments will continue to be subject to the regular 5 per cent reserve requirement on time deposits.

Partial removal of the marginal reserve requirement was effective on deposits outstanding in the week of September 5-11. Banks were required to maintain reserves against these deposits 2 weeks later, in the week of September 19-25.

The action reduces total reserves by about \$400 million at a time when there is a seasonal need to provide reserves to the banking system.

The full reserve requirement (the regular 5 per cent plus the marginal 3 per cent) will continue to apply to large CD's with an initial maturity of less than 4 months. All large CD's outstanding on September 5 with a remaining maturity of 4 months or longer and all CD's issued on September 5 or thereafter with initial maturities of 4 months or longer will be affected by the action.

A marginal reserve requirement (the regular 5 per cent plus a supplemental 3 per cent) was first announced by the Board on May 16, 1973. An additional 3 per cent marginal reserve was announced by the Board on September 7 raising the total reserve requirements on affected deposits to 11 per cent. This latter 3 per cent reserve was removed by the Board last December.

Technically, the marginal reserve requirement applies to increases (beyond the amount outstanding in the week ended May 16, 1973) in the total of (a) time deposits in denominations of \$100,000 and over and (b) bank-related commercial paper and finance bills with a maturity of 30 days or longer. In no case does the supplemental reserve apply to banks whose large CD's total less than \$10 million.

The new action also affects certain nonmember State banks and U.S. agencies and branches of foreign banks that have been voluntarily holding marginal reserves on large CD's at the request of the Board.

AMENDMENT TO REGULATION H

The Board of Governors amended on September 16, 1974, a regulatory provision that prohibits State member banks from lending on improved real estate or a mobile home in flood-prone areas unless the property is covered by flood insurance.

The amendment requires State member banks—as a condition of making or renewing a loan secured by affected property—to provide a loan customer with written notice that the property is in a flood-hazard area. This amendment imple-

ments a statutory change adopted August 22, 1974, to the Housing and Urban Development Act of 1968. The original regulatory provision was issued by the Board on February 6, 1974.

Similar rules are being issued by other Federal regulatory agencies for institutions they supervise.

BANK HOLDING COMPANY ACTIVITIES DECISION

The Board of Governors announced on September 11, 1974, that it had decided it would not be appropriate at this time to add the underwriting of mortgage guarantee insurance to the activities permissible for bank holding companies.

The Board's decision follows an oral presentation held on this matter in January 1974 at which proponents and opponents expressed views.

REVISED MONEY STOCK DATA

Money stock and related measures, shown on pages A-14 and A-15, have been revised to reflect new benchmark data for nonmember banks available from the April 24, 1974, call report. Revisions for M_1 and M_2 affect weekly and monthly data for the same period. Detailed data were published in the H.6 release, "Money Stock Measures," for August 22, 1974, and are available from the Banking Section of the Board's Division of Research and Statistics.

CHANGES IN BOARD STAFF

The Board of Governors of the Federal Reserve System has announced the following staff appointments, effective August 28, 1974:

Peter E. Barna as Program Director, and Robert S. Plotkin as Assistant Program Director, for Bank Holding Company Analysis in the Office of Managing Director for Operations under the general supervision of Samuel B. Chase, Jr., Adviser to the Board.

Mr. Barna, formerly Senior Vice President of the Riviere Realty Trust Company, Washington, D.C., holds a B.S. degree from Indiana University and is a certified public accountant. Prior to his appointment Mr. Plotkin was Assistant General Counsel in the Board's Legal Division.

Robert Solomon has returned to the Board after a 2-year leave of absence serving as a Vice Chairman of the Deputies of the Committee on Reform of the International Monetary System and Related Issues (Committee of 20). Mr. Solomon will re-

sume his duties as Adviser to the Board in the field of international finance and as international economist of the Federal Open Market Committee.

DIRECTOR CHANGES AT FEDERAL RESERVE BRANCHES

Robert J. Buckley, President, Allegheny Ludlum Industries, Inc., Pittsburgh, Pennsylvania, was appointed as Director of the Pittsburgh Branch of the Federal Reserve Bank of Cleveland, effective June 12, 1974, to succeed Douglas Grymes, President, Koppers Company, Pittsburgh, Pennsylvania, who resigned effective May 1, 1974.

Lacy I. Rice, Jr., President, The Old National Bank of Martinsburg, and President, Suburban National Bank, Martinsburg, West Virginia, was appointed as Director of the Baltimore Branch of the Federal Reserve Bank of Richmond, effective August 8, 1974, to succeed the late Douglass Adams, President, The Parkersburg National Bank, Parkersburg, West Virginia.

Clarence L. Turnipseed, President, First National Bank, Brewton, Alabama, was appointed as Director of the Birmingham Branch of the Federal Reserve Bank of Atlanta, effective July 12, 1974, to succeed Lawrence Harris, President, Slocomb National Bank, Slocomb, Alabama, who resigned effective March 15, 1974.

J. Luther Davis, Chairman of the Board and President, Tucson Gas and Electric Company, Tucson, Arizona, was appointed as Director of the El Paso Branch of the Federal Reserve Bank of Dallas, effective July 19, 1974, to succeed Allan B. Bowman, President, Amax Arizona, Tucson, Arizona, who resigned effective July 1, 1974.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period August 16, 1974, through September 15, 1974:

Illinois

Chicago Midwest Securities
Trust Company

Virginia

Arlington County First Commercial Bank

Announcements

FEDERAL RESERVE SYSTEM BOOK: REVISED EDITION

A completely rewritten edition of *The Federal Reserve System—Purposes and Functions* is available for distribution. This edition, the sixth, has attempted to present a concise, updated account of the responsibilities and operating techniques of the System in the areas of monetary policy, banking and financial regulation, and international finance. While primarily a handbook of operations, the revision also includes some description of economic relationships, market structure, and the theoretical underpinnings of central banking, so as to provide the general reader with a better understanding of the role of the Federal Reserve in the Nation's economic and financial system.

Copies of the book may be obtained from Publications Services, Division of Administrative Services, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. The price is \$1.00 per copy; in quantities of 10 or more sent to one address, 75 cents each.

FRANKLIN NATIONAL BANK STATEMENT

On October 8, 1974, Dr. Arthur F. Burns, Chairman of the Board of Governors of the Federal Reserve System, issued the following statement concerning Franklin National Bank:

The arrangements announced today represent a resolution of the long-standing difficulties surrounding Franklin National Bank that is very much in the public interest. Depositors, borrowers, and other customers of Franklin will be able to continue to do business at the same locations by virtue of the merger agreement. Depositors will suffer no loss. Borrowers and other customers will have a full range of banking services available to them without interruption. The former offices of Franklin will open for business tomorrow at the usual time as offices of European-American. All of Franklin's depositors will automatically become depositors of European-American.

The Federal Reserve, as lender of last resort, provided emergency assistance to Franklin beginning last May. By doing so, we kept Franklin's banking services available, prevented serious adverse consequences in financial markets both here and abroad, and provided the time necessary for the Comptroller of the Currency, the

Federal Deposit Insurance Corporation, and the Federal Reserve to work out a satisfactory permanent solution. The merger agreement guarantees that banking service will be provided to Franklin's customers and the community through a strong institution. The interest of the public, the Federal Government, the depositors, and the loan customers of Franklin are protected by these arrangements. The outcome constitutes the only viable means for resolving Franklin's difficulties consistent with the public interest.

* * *

Earlier this year, Franklin National reported poor operating earnings, and subsequently it reported substantial losses in its foreign exchange operations. The management of the holding company that controlled the bank—the Franklin New York Corporation—announced on May 10 that it would recommend passing the regular dividend payment on both common and preferred stock.

On May 12 the Federal Reserve announced that it would advance funds to Franklin as needed—so long as the bank remained solvent and within the limits of the collateral that could be supplied—if the bank experienced unusual liquidity pressures. Federal Reserve lending to Franklin was substantial thereafter, reaching a maximum of approximately \$1.75 billion in early October.

Because of the size and complexity of the problem, a period of time was required to work out a permanent, satisfactory solution. Among the options studied by the regulatory authorities was possible continuation of Franklin as an independent bank. Merger with another institution emerged as the only acceptable route, however, for continuing the banking services provided by Franklin. Accordingly, Federal Reserve assistance was continued until a merger could be effectuated.

The Comptroller, in determining Franklin to be insolvent, designated the FDIC as receiver for Franklin. An arrangement worked out with FDIC ensures the repayment of all Federal Reserve funds loaned to Franklin.

As receiver for Franklin National, the FDIC assumed the Federal Reserve loan and has agreed to repay it over the next 3 years as collateral supplied by Franklin is liquidated. The FDIC will act as agent for disposition of the collateral that backed the loan to Franklin.

AMENDMENT TO REGULATION A

The Board of Governors of the Federal Reserve System on September 25, 1974, established a new category of "discount" borrowing under which a special discount rate may be applied to member banks requiring exceptionally large assistance over a prolonged period of time.

The amendment to the Board's regulation governing member bank borrowing states that the special rate would in no case exceed the rate established for emergency loans to nonmember banks. The basic discount rate is 8 per cent while the rate for emergency loans to nonmember banks is 10 per cent.

The purpose of the special rate is to limit any rate preference for long-term assistance to an individual bank when a wide gap exists between the basic discount rate and money market rates as it does presently. The special rate would also encourage the borrowing bank to make the necessary adjustments in its operations to permit repayment of the loan in a reasonable period.

Under the regulatory amendment, the special rate will apply to member bank borrowing for prolonged periods (such as for more than 8 weeks) and in significant amounts (such as when the loan has exceeded on average the amount of the borrowing bank's required reserves).

The Board of Governors approved actions to establish the special discount rate taken by the directors of the Federal Reserve Banks of New York and Dallas on September 26, the Reserve Banks of Philadelphia, Richmond, and St. Louis on October 2, the Reserve Banks of Cleveland, Minneapolis, Kansas City, and San Francisco on October 3, the Reserve Banks of Boston and Chicago on October 10, and the Reserve Bank of Atlanta on October 11.

REVISED DATA FOR STATISTICAL TABLE

Beginning with this issue of the BULLETIN, the statistical table "Loans sold outright by commercial banks," page A27, reflects a revision in the definition of the data reported and in the panel of banks reporting. The reporting panel is now the same as that for large commercial banks that report weekly. After August 28, banks were asked to report only loans sold to a newly defined group of affiliated institutions; the new group differs from the previous affiliate group chiefly in that it excludes domestic banks. Loans sold to others (that is, to nonaffiliated institutions) are no longer reported.

Loans sold are now classified in three categories: "commercial and industrial" loans are reported as before, but "all other" loans are now broken down into "real estate" and "all other."

Banks were asked to report data on both the old and the new basis for the last reporting period of the month—August 28. The differences are summarized in the following tabulation (data are in millions of dollars):

<i>Item</i>	<i>Total</i>	<i>Commercial and industrial</i>	<i>Real estate and all other</i>
Loans sold, old basis ...	5,396	3,033	2,363
Sold by banks no longer in panel	-101	-25	-76
Sold by banks added to panel	159	75	84
Change in loans sold by banks remaining in panel	-561	-200	-361
Loans sold, new basis ..	4,893	2,883	2,010

A large part of the \$561 million decline reported by banks included in both the old and the new series reflects the elimination of loans previously misclassified as loans sold; \$199 million of commercial and industrial loans and \$101 million of real estate and other loans had been so misclassified. Because back data are unavailable, and in order to maintain continuity within the old series, this misclassification has been corrected in the new series but not in the old.

DATA SERIES ON FOREIGN-OWNED U.S. BANKS

Aggregate data on assets and liabilities of U.S. banking institutions owned by foreign banks are now available for the period November 1972 through June 1974. Collected by the Federal Reserve System in conjunction with State regulatory authorities, these data may be obtained from the International Banking Section, Division of International Finance, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Monthly updates of these data will also be furnished on request.

The data, based on monthly reports of condition (Form FR 886a), are contained in three tables. One table presents detailed aggregate data on assets and liabilities of all U.S. banking institutions that are majority owned by one or more foreign banks. The second table covers only institutions that are subsidiaries of foreign banks. The third table combines figures for agencies and branches of foreign banks and for foreign-owned New York State-chartered investment companies.

These newly available tables contain data that must be employed with caution owing to divergent accounting practices of the reporting institutions that have not been fully reconciled. Despite this limitation the Board of Governors is releasing the data now because of their interest to the financial community and to the general public. Efforts are being made to improve the consistency of the reporting procedures of the respondent institutions. When adequate consistency is achieved, it is anticipated that the data will be published regularly in the BULLETIN.

PROPOSED REVISIONS IN CONSUMER CREDIT DATA

Proposed revisions in the Federal Reserve consumer credit data collection and publication program are discussed in the *Consumer Credit Review Report* prepared by the Board's Division of Research and Statistics. Copies of the *Report* for public comment are available, on request, from the Mortgage, Agricultural, and Consumer Finance Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551. Comments should be submitted to the section by December 31, 1974.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following changes in its official staff:

Griffith L. Garwood, Adviser in the Legal Division, has been promoted to Assistant Secretary of the Board, effective October 7, 1974.

James L. Kichline, Assistant Adviser, has been promoted to Adviser in the Division of Research and Statistics, effective October 13, 1974.

William H. Wallace has been appointed an Assistant Director in the Division of Federal Reserve Bank Operations, effective September 15, 1974, and Thomas E. Mead has been appointed an Assistant Director in that Division, effective October 13.

Mr. Wallace was employed by the Federal Reserve Bank of Richmond from 1967 to 1973, and immediately prior to his employment at the Board, he was with North Carolina State University. He holds an M.B.A. from the University of Missis-

sippi and a Ph.D. in economics from the University of Illinois.

Mr. Mead holds B.S. and LL.D. degrees from Georgetown University and was with United California Bank prior to joining the Board's staff. Mr. Mead has also served with the Federal Deposit Insurance Corporation.

WEEKLY STATISTICAL REPORTS: GLOSSARY

The second in a series of publications describing terms used in Federal Reserve statistical reports has been published by the Federal Reserve Bank of New York. The new publication is a 32-page annotated glossary of terms found in the weekly Condition Report of Large Commercial Banks (H.4.2 and related statistical releases); the Weekly Summary of Banking and Credit Measures (H.9); and the Basic Reserve Position, and Federal Funds and Related Transactions of Eight Major Reserve City Banks in New York City (published by the Federal Reserve Bank of New York each Thursday; similar data is included in the Board's H.5 statistical release).

The first publication in the series issued in 1972 provides an explanation of the terms appearing in the Consolidated Statement of Condition of All Federal Reserve Banks (H.4.1. (a)) and Factors Affecting Bank Reserves (H.4.1.). Both publications are available without charge from the Public Information Department, Federal Reserve Bank of New York, 33 Liberty Street, New York, New York 10045.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period September 16, 1974, through October 15, 1974:

Kansas

Lancaster State Bank of Lancaster

Michigan

Livonia The Detroit Bank—Livonia

Virginia

Augusta County Community Bank and
Trust Company of
Augusta County

Henrico County New Bank of Richmond

Roanoke New Bank of Roanoke

Announcements

APPOINTMENT OF MR. COLDWELL AS A MEMBER OF THE BOARD OF GOVERNORS

President Ford on September 26, 1974, announced his intention to appoint Philip E. Coldwell as a member of the Board of Governors of the Federal Reserve System. Mr. Coldwell's appointment was subsequently confirmed by the Senate on October 9 and his oath of office was administered on October 29.

The text of the White House announcement follows:

The President has announced his intention to nominate Philip Edward Coldwell, of Dallas, Texas, to be a member of the Board of Governors of the Federal Reserve System for the unexpired term of 14 years from February 1, 1966. He will succeed Andrew F. Brimmer who resigned effective August 31, 1974.

Since 1968, Mr. Coldwell has been President of the Federal Reserve Bank of Dallas after joining that Bank as an economist in 1952. He served as an economist until 1962 when he became First Vice President.

He was born on July 20, 1922, in Champaign, Illinois, and received his B.A. degree from the University of Illinois in 1946. He received his M.S. in 1947 and his Ph.D. from the University of Wisconsin in 1952. He served in the United States Navy from 1942 to 1946 as a pilot.

He is married to the former Norma Elaine Abels and they have two children. They reside in Dallas, Texas.

RESTRUCTURING OF RESERVE REQUIREMENTS

The Board of Governors on November 13, 1974, approved a restructuring of reserve requirements that will help meet the seasonal need for bank reserves over the coming weeks.

The Board's action is also designed to improve the liquidity of the banking system by encouraging member banks to seek longer-term time deposits. This is done by lowering reserve requirements on longer-term time deposits and increasing reserve requirements on shorter-term time deposits.

The net effect of the over-all restructuring—which includes some reduction in reserve requirements on demand deposits over \$400 million—is to release about \$750 million in reserves to the banking system.

Normally, the Federal Reserve provides a substantial amount of reserves to accommodate the seasonal expansion in the demand for money and credit that occurs over this period, particularly during the Christmas shopping season. This restructuring provides part of the needed reserves directly to member banks rather than through open market operations.

Actions taken by the Board will:

1. Reduce from 5 per cent to 3 per cent the reserve requirement on all time deposits with an initial maturity of 4 months or longer.¹

2. Increase from 5 per cent to 6 per cent the reserve requirement on all time deposits with an initial maturity of less than 4 months.¹ (The first \$5 million of such deposits at each member bank will be subject to a 3 per cent reserve requirement.)

3. Reduce from 18 per cent to 17½ per cent the reserve requirement on net demand deposits over \$400 million.

4. Remove the remaining marginal reserve requirement of 3 per cent on large certificates of deposit (CD's) issued to mature in less than 4 months.

All changes apply to deposits outstanding in the week beginning November 28 and will release reserves in the week beginning December 12.

Reserve requirements on time deposits. Reserve requirements on time deposits are restructured to provide for a higher reserve requirement on shorter-term time deposits and a lower reserve requirement on longer-term time deposits. The accompanying table depicts the new reserve structure.

This change introduces a maturity breakdown for reserve requirements on "other time deposits" regardless of denomination. Under the system formerly in effect, member banks were required to

¹On Nov. 18 the Board modified this action by changing the initial maturity of 4 months to an initial maturity of 6 months. Data presented to the Board at the time of its original decision on Nov. 13 underestimated the net amount of reserves released by the restructuring. Revised estimates indicated that the net release of reserves—about \$750 million—would not be altered significantly with the modification approved on Nov. 18.

Type of time and savings deposit	Reserve percentage applicable
Savings deposits	3
Other time deposits: ²	
30-179 days—	
\$5 million and under	3
Over \$5 million	6
180 days and over	3

maintain a 3 per cent reserve requirement on "other time deposits" up to \$5 million and a 5 per cent reserve requirement on "other time deposits" of more than \$5 million.

Reserve requirements on demand deposits. Reserve requirements are reduced from 18 per cent to 17½ per cent on net demand deposits over \$400 million. This offsets the increase in required reserves that large banks will experience as a result of changes in the structure of reserve requirements on time deposits.

The reduction also narrows somewhat the gap in reserve requirements for large banks as shown in the accompanying table.

Size of bank (net demand deposits in millions of dollars)	Reserve percentage applicable	
	Old	New
Under 2	8	8
2-10	10½	10½
10-100	12½	12½
100-400	13½	13½
400 and over	18	17½

Marginal reserve requirement. Removal of the remaining marginal reserve requirement of 3 per cent affects large certificates of deposit (\$100,000 and over) maturing in less than 4 months. The Board in September removed the marginal reserve requirement on large CD's with an initial maturity of 4 months or longer.

This action was taken in recognition of the fact that the volume of large CD's has declined in recent weeks and in view of the outdated base period used by banks to compute their marginal reserves.

The elimination of the marginal reserve requirement on large CD's means that nonmember banks that maintained this reserve requirement voluntarily are no longer asked to do so.

A marginal reserve requirement (the regular 5 per cent plus a supplemental 3 per cent) was first announced by the Board on May 16, 1973. An additional 3 per cent marginal reserve was announced on September 7, 1973, but this was removed by the Board last December. On September 4, 1974, the Board announced removal of

the 3 per cent marginal reserve requirement on large CD's with an initial maturity of 4 months or longer. The new action removes the remaining marginal reserve requirement.

The marginal reserve requirement applies to increases (beyond the amount outstanding in the week ended May 16, 1973) in the total of (a) time deposits in denominations of \$100,000 and over and (b) bank-related commercial paper and finance bills with a maturity of 30 days or longer. In no case did the supplemental reserve apply to banks whose deposits of this type totaled less than \$10 million.

* * *

Reserve requirements on borrowings of Eurodollars by American banks remain at 8 per cent. Agencies and branches of foreign banks that are maintaining this reserve requirement voluntarily are not affected by this Board action.

NEW LEGISLATION

President Ford signed into law on October 28, 1974, legislation designed to further protect consumers in credit transactions. The legislation (H.R. 11221) also creates a National Commission on Electronic Fund Transfers and contains a wide range of other provisions affecting the Federal Reserve and financial institutions.

The new law (Public Law 93-495) includes amendments to the Truth in Lending Act, procedures to protect the consumer in credit billing, and a prohibition against discrimination in granting credit because of sex or marital status. The provisions on credit billing and credit discrimination are effective within one year following enactment. Most of the Truth in Lending amendments are effective immediately. The Federal Reserve must write regulations on these three sections and staff work will be handled by the Office of Saver and Consumer Affairs.

Fair Credit Billing Act. Essentially, the Fair Credit Billing Act seeks to respond to a growing number of complaints that consumers are unable to resolve difficulties encountered when computers are involved in billing errors.

When it becomes effective next year, the Act will require creditors to acknowledge a customer's credit inquiry within 30 days. The creditor also will be required to resolve any dispute within 90 days by either correcting the customer's bill or explaining why the original bill is correct.

The Act also will prohibit creditors from imposing a finance charge on any amount that is in dispute until it is resolved, and from reporting

²As modified by Board action on Nov. 18 changing the initial maturity from 4 months to 6 months.

adversely to credit bureaus while the customer's inquiry is being investigated.

Another provision of this Act will require creditors to mail bills at least 14 days before the date when payment must be made to avoid a finance charge.

Equal Credit Opportunity Act. This Act makes it unlawful for any creditor to discriminate against any applicant for credit on the basis of sex or marital status. The legislation is designed to make credit equally available to all creditworthy customers regardless of their sex or marital status.

The Act does not impose criminal liability for violations. It does provide, however, for civil penalties equal to actual damages plus punitive damages up to \$10,000 in an individual action. In the case of a class action, punitive damages are limited to \$100,000 or 1 per cent of the creditor's net worth, whichever is smaller.

Truth in Lending Act Amendments. The legislation includes a variety of amendments to the Truth in Lending Act that originally went into effect on July 1, 1969. The more significant provisions are:

1. An exemption from liability for any creditor's action done or omitted in good faith conformity within any rule, regulation, or interpretation issued by the Federal Reserve Board regardless of the fact that such regulation is subsequently amended, rescinded, or determined to be invalid by the courts.

2. A provision setting a maximum limit on class action liability at \$100,000 or 1 per cent of the creditor's net worth, whichever is less.

3. An exemption from Truth in Lending disclosures for agricultural credit that exceeds \$25,000. This exemption is the same as that included in the original Act for all other types of consumer credit, except mortgage credit.

4. Any advertisement promoting a sale, without an identifiable finance charge, but repayable in more than four installments must include the following statement: "The cost of credit is included in the price quoted for the goods and services."

5. The fraudulent use of a credit card to obtain money, goods, or services having a value aggregating \$1,000 is made a Federal crime. This provision will be enforced by the Justice Department.

Other provisions of the new amendments are technical in nature.

Electronic Fund Transfers. The Act establishes a National Commission on Electronic Fund Transfers to study and recommend actions necessary for the possible development of public or private electronic fund transfer systems.

Among the 26 members of the Commission will be the following (or their delegates): the Chairman of the Board of Governors of the Federal Reserve System, the Secretary of the Treasury, the Comptroller of the Currency, the Attorney General, the Postmaster General, the Comptroller General of the United States, the Director of the Office of Technology Assessment, the chairmen of the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Board, the Federal Communications Commission, and the Federal Trade Commission, and the Administrator of the National Credit Union Administration. Fourteen other members will be appointed by the President.

The Commission must file a final report with Congress and the President within two years. Among factors it must take into account are:

1. The need to preserve competition among the financial institutions and other business enterprises using such a system.

2. The need to promote competition among financial institutions and to assure that Government regulation and involvement or participation in a system competitive with the private sector be kept to a minimum.

3. The need to prevent unfair or discriminatory practices by any financial institution or business enterprise using or desiring to use such a system.

4. The need to afford maximum user and consumer conveniences.

5. The need to afford maximum user and consumer rights to privacy and confidentiality.

6. The impact of such a system on economic and monetary policy.

7. The implications of such a system on the availability of credit.

8. The implications of such a system expanding internationally and into other forms of electronic communications.

9. The need to protect the legal rights of users and consumers.

Other provisions. Among other major provisions in the over-all Act are the following:

—An increase in deposit insurance from \$20,000 to \$40,000 for all Federally insured financial institutions (commercial banks, mutual savings banks, savings and loan associations, and credit unions).

—Deposit insurance for public time and savings deposits up to \$100,000.

—Extension of the flexible features of Regulation Q (payment of interest on deposits) to December 31, 1975.

—An increase from \$60 million to \$140 million in the amount of funds that the Federal Reserve may spend on branch bank buildings.

—Extension to November 1, 1975, of the authority of the Treasury Department to borrow up to \$5 billion directly from the Federal Reserve.

—Extension of the Federal Reserve's authority to issue cease and desist orders against unsafe or unsound practices to bank holding companies and their nonbank subsidiaries.

SUSPENSION OF SAME-DAY CREDIT RESTRICTION FOR STOCKS

The Board of Governors on November 4, 1974, suspended for 6 months the restrictions that apply to use of the same-day substitution privilege in stock margin accounts. The suspension will permit use of the same-day substitution privilege in all margin accounts.

The purpose of the suspension is to enable the Board to study the impact of the rule on margin customers, brokerage firms, and the stock market itself.

Under the same-day substitution privilege, customers are permitted to substitute one security for another in their accounts through offsetting purchases and sales made on the same day, without using any of the proceeds of the sale to strengthen an account that is below the initial margin requirement. A regulatory amendment that went into effect on September 18, 1972, limited use of this privilege to margin accounts with an equity ratio of 40 per cent or more of the market value of the stock collateral in the account.

The suspension applies to extensions of credit by brokers and dealers (Regulation T) and to loans by banks and other lenders (Regulations U and G, respectively) for the purpose of purchasing or carrying stocks registered on a national exchange or named in the Board's over-the-counter margin list.

CHANGES IN BOARD STAFF

The Board of Governors has announced the following staff appointments, effective October 27, 1974.

Allen L. Raiken has been promoted to Adviser in the Legal Division. Mr. Raiken, who has been with the Board since February 1971, received a B.A. from St. Lawrence University, J.D. from St. John's University, and LL.M. from George Washington University.

Charles J. Siegman and Edwin M. Truman have been named Assistant Advisers in the Division of International Finance.

Mr. Siegman did his undergraduate work at the City College of New York and his graduate studies at Columbia University. Immediately prior to joining the Board's staff in July 1967, he taught at Swarthmore College.

Mr. Truman graduated from Amherst College and received M.A. and Ph.D. degrees from Yale University. He was a member of the Yale faculty from 1967 until he joined the Board's staff in July 1972.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period October 16, 1974, through November 15, 1974:

Minnesota

Oak Park Heights Oak Park Heights
State Bank

New York

New York European-American
Bank & Trust Company

South Carolina

Florence Guaranty Bank
and Trust Company

Announcements

PROPOSED LEGISLATION RE FOREIGN BANKS

The Board of Governors on December 3, 1974, sent to Congress proposed legislation to establish a national policy on foreign banks operating in the United States and a system of Federal regulation and supervision of those operations.

The proposed legislation would standardize the status of foreign banks operating in the United States and place them basically under the same rules and regulations that must be observed by domestic banks.

Foreign banking in the United States has grown from \$6.5 billion in assets in 1966 to \$38 billion as of the end of 1973. There are currently more than 60 foreign banks with U.S. operations. In explaining the basic reasons for recommending the adoption of the proposed legislation, the Board included the following statement in its transmittal to Congress:

Foreign banks have in recent years been coming to the United States in increasing numbers and operating through branches, agencies, and subsidiary banks. The scale and nature of foreign bank activities through these facilities are now significant in terms of competition within the banking industry and of the functioning of money and credit markets. This movement by foreign banks into the United States is part of the broader development of multinational banking in which United States banks are deeply involved through their extensive operations overseas. The multinational banking system that has evolved as a result of the establishment by the world's leading commercial banks of banking and financing facilities on a global basis is now a key element in the world's financial system. Its functioning has far-reaching ramifications for international financial policy and for the economic and financial policies of individual nations.

At present, foreign banks operating in this country do so on terms determined almost exclusively by State laws. Among the conditions that have resulted from this are the following:

A prohibition of foreign banking in some States and its permission in others; multistate banking by foreign-owned organizations; lack of constraints on nonbanking activities by foreign banks; the fact that few foreign banks are members of the Federal Reserve System, although they are for the most part large banks (all but a few large domestic banks are members), thus excluding a growing sector of money and credit from the direct

influence of Federal Reserve monetary policy; the fact that the Federal Government can play only a limited role in foreign bank operations in the United States, although this has important implications for U.S. foreign relations.

The proposed legislation would standardize the status of foreign banks and their branches and agencies, on the basis of nondiscriminatory national treatment aimed at providing foreign banks with the same opportunities to conduct activities in this country that are available to domestic banking and subjecting them to the same rules.

The legislation would also provide for a Federal role in licensing and supervising foreign bank operations. The Comptroller of the Currency would issue licenses for all foreign banking facilities in the United States upon approval of the Secretary of the Treasury. The Comptroller would also supervise foreign-owned national banks and Federally insured branches of foreign banks. The Federal Reserve would exercise supervisory authority under the Federal Reserve Act and the Bank Holding Company Act.

The Federal Deposit Insurance Corporation would be required to submit proposals to extend its deposit insurance, now covering subsidiaries of foreign banks, to branches and agencies.

The proposed legislation culminates months of extensive work by a special Federal Reserve Steering Committee on International Banking Regulation headed by George W. Mitchell, Vice Chairman of the Board.

The main provisions of the proposal are as follows:

1. *Coverage:* The Bank Holding Company Act would be redefined to include branches and agencies—as well as subsidiaries which are presently covered—of foreign banks, bringing nearly all foreign banks with depository and lending functions in the United States under the Bank Holding Company Act.

2. *Equality of Treatment:* In addition to bringing virtually all foreign bank operations in the United States under the Bank Holding Company Act, it would provide equality of treatment with domestic banking by facilitating foreign ownership of national banks, by enabling licensing of a Federally chartered branch, by permitting foreign banks to own Edge Act Corporations, and by requiring Federal Reserve membership in most instances and FDIC insurance of deposits in branches and agencies.

3. *Entry*: The National Banking Act would be amended to permit up to half of the directors of a national bank—all of whose directors must now be U.S. citizens—to be foreigners. The Comptroller would also be empowered to license branches of foreign banks to conduct a banking business in any State on the same basis as a national bank.

4. *Edge Corporations*: The section of the Federal Reserve Act dealing with establishment of Edge Act Corporations—subsidiaries of member banks in the United States that deal with foreign financial transactions—would be amended to allow foreign banks to conduct foreign business throughout the United States on the same basis as domestic banks, without majority control by U.S. citizens.

5. *Federal Reserve Membership*: Membership would be required for branches, agencies, and subsidiaries of a foreign bank where the parent foreign bank had worldwide assets exceeding \$500 million.

6. *Grandfathering*: Multistate banking operations of foreign banks, in operation as of the date of introduction of the legislation, would be permanently grandfathered and could be expanded where existing, in accordance with State law. Nonbanking interests of foreign banks covered by the legislation would also be permanently grandfathered if in operation as of the date of introduction of the legislation. This includes securities affiliates of foreign banks in the United States.

PARTICIPATION IN GOLD TRANSACTIONS

The Board of Governors on December 9, 1974, released information relating to the lifting of the ban on private ownership of gold.

The text of a letter, which was sent to all State member banks by the Presidents of the Federal Reserve Banks, relating to questions of banking practice in gold-related transactions follows:

Public Law 93-373 provides that on December 31, 1974, the ban on private ownership of gold will end. After that, U.S. citizens may own gold and trade in it as they might any other commodity. National banks possess statutory authority to buy and sell "exchange, coin, and bullion," and some State laws contain similar provisions with respect to State-chartered banks. The Office of the Comptroller of the Currency has determined that gold will not be acceptable as bullion unless it has a fineness of 0.900 or better.

For the past 41 years, U.S. citizens have been able to hold gold only under U.S. Treasury license. During this period, private individuals and banks have had negligible experience with gold. Gold is not legal tender. Rather, it is a highly speculative commodity, subject to widely fluctuating prices. In light of these circumstances, State member banks will wish to proceed cautiously, should they decide to provide gold-related services to customers.

The Federal Reserve System believes that the following information will be useful to State member banks in the event that they decide to participate in gold transactions. Similar information is being issued by

other Federal banking agencies with respect to banks under their jurisdiction.

If a bank does decide to engage in gold-related activities, preferably it should act only on a consignment basis or otherwise as agent.

The risk inherent in gold transactions is such that any State member bank considering acting as principal with respect to gold transactions should give advance notice to the Federal Reserve Bank of its district. The advance notice should contain information relative to experience of personnel, services to be provided, anticipated inventories and positions, safekeeping facilities, insurance coverages, audit procedures, and anticipated impact on earnings.

Banks should not engage in the business of issuing receipts for gold without considering the implications of securities laws; and any gold for which a bank issues any form of receipt must be physically held on hand at all times and under strict safeguards. Moreover, obligations payable in gold or its equivalent are still unenforceable (Public Resolution of June 5, 1933, 31 U.S.C. 463).

As with any commodity loan, it is anticipated that banks will carefully consider such matters as adequacy of margins on loans collateralized by gold, precautions to assure authenticity and safe custody of gold held as collateral, and total risk exposure from gold-related loans. Moreover, gold-related loans should be considered nonproductive credits unless extended for commercial or industrial purposes.

If a bank should decide to offer gold for sale, it should carefully avoid excessive or misleading promotions that could lead to unrealized expectations by bank clients and adversely affect public confidence in a particular bank or the banking system.

Examiners will pay strict attention to the relevant accounting practices of banks and recordkeeping for accounts of customers. Any gold owned should be shown on financial statements under "other assets," and any hedging futures contracts should be shown as a memorandum item. It is anticipated that a bank would revalue accounts at least monthly to reflect current market values.

During examinations of State member banks, examiners will review closely a bank's total involvement in gold-related transactions to assure that individual banks and the banking system are not exposed to undue risk. Among other considerations, examiners will be concerned with management's expertise in this area, risk undertaken in relation to the bank's equity capital, and the needs of customers. An undue concentration of gold loans, as with any imprudent involvement in gold transactions, could constitute an unsafe or unsound banking practice subject to action under the cease-and-desist provisions of the Financial Institutions Supervisory Act of 1966. Our examiners are instructed to be vigorous in countering any manifestation of bank speculation in gold.

In addition, the Board issued the following statement regarding the treatment of gold by the Federal Reserve Banks:

The Board has received numerous inquiries from member banks relating to the repeal of the ban on ownership of gold by U.S. citizens. A statement on

the subject is being sent to all State member banks similar to statements being sent to national banks by the Comptroller of the Currency and insured nonmember banks by the Federal Deposit Insurance Corporation. In addition, there are listed below questions and answers that affect member banks and relate to certain other responsibilities of the Federal Reserve.

1. May gold in the form of coins or bullion be counted as vault cash in order to satisfy reserve requirements? No. Section 19(c) of the Federal Reserve Act requires that reserve balances be satisfied either by a balance maintained at the Federal Reserve Bank or by vault cash, consisting of United States currency and coin. Gold in bullion form is not United States currency. Gold coins are not considered legal tender by the Department of the Treasury and, therefore, are not United States currency or coin.

2. Will the Federal Reserve Banks perform services for member banks with respect to gold, such as safekeeping or assaying? No.

3. Will a Federal Reserve Bank accept gold as collateral for an advance to a member bank under § 10(b) of the Federal Reserve Act? No.

AMENDMENTS TO REGULATION Q

The Board of Governors on November 26, 1974, amended its Regulation Q to permit governmental units to hold savings deposits at member commercial banks. The action was taken in conjunction with new legislation, effective November 27, providing deposit insurance for public time and savings deposits up to \$100,000.

Additionally, the Board created a new category of time deposit, under Regulation Q, for governmental bodies. The ceiling rates for public deposits at member banks are:

- Passbook savings deposits 5 per cent
- Other time deposits
under \$100,000 7½ per cent

The rate ceiling on time deposits of governmental bodies (as distinct from passbook savings) will be maintained at the highest permissible rate that can be paid on time deposits under \$100,000 by Federally insured commercial banks, mutual savings banks, or savings and loan associations. This rate is currently 7½ per cent.

Savings and loan associations previously had authority to accept savings deposits from public bodies. Extension of this authority to member commercial banks will permit public bodies a wider choice of deposit alternatives for public funds. The Board also amended its definition of a savings deposit in Regulation D to conform to the action taken under Regulation Q.

Similar actions are being taken by the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board for institutions under their jurisdiction.

Subsequently on December 6 the Board of Governors established a new category of long-term consumer time deposit, to be known as Investment Certificates, on which member banks may pay up to 7½ per cent annual interest.

The Board's action was intended to permit member banks to offer longer-term time deposits at more competitive rates of interest. The action amended Regulation Q—interest on deposits—effective December 23, 1974.

Similar actions to permit nonmember commercial banks and thrift institutions under their supervision to pay more competitive rates on longer-term time deposits have been announced by the Federal Deposit Insurance Corporation and the Federal Home Loan Bank Board.

The principal features of the new instrument for time deposits of less than \$100,000 issued by member banks are:

- 1. Investment Certificates will mature in not less than 6 years.
- 2. They may be sold in amounts of \$1,000 or more.
- 3. The maximum interest rate is 7½ per cent per annum.
- 4. Investment Certificates may be issued in negotiable or in nonnegotiable form.

—*Negotiable Investment Certificates* may not be redeemed prior to maturity, in any circumstances. However, they may be used as collateral for loans. When an Investment Certificate is used as loan collateral the interest rate on the loan must be at least 2 percentage points higher than the interest rate on the certificate. Issuing banks may arrange sales between holders and prospective buyers of Investment Certificates, but the bank may not purchase the certificates for its own account. Issuing banks must give notice—that the negotiable Investment Certificates are not redeemable prior to maturity—in a separate disclosure statement, in advertising, and on the face of the instrument itself.

—*Nonnegotiable Investment Certificates* may be redeemed prior to maturity, under the Board's existing rules for early withdrawal of time deposits.

The Board's action followed consultation with the Treasury Department, the FDIC, and the FHLBB.

In accordance with recently published rules for rate ceilings on time deposits of governmental units, the ceiling on such deposits will rise to 7¾ per cent as a result of the above actions by the Federal Reserve, FDIC, and FHLBB.

ELECTRONIC DISTRIBUTION OF GOVERNMENT PAYMENTS

The U.S. Air Force, the Department of the Treasury, and the Federal Reserve System jointly an-

nounced on November 25, 1974, plans for the electronic distribution of Government payments.

Under this new program, U.S. Air Force personnel who have authorized their net pay to be sent directly to the financial institution of their choice will have their payroll credits distributed electronically, beginning November 30, 1974.

This program will replace payroll credit listings and Treasury checks currently in use, and it will substantially reduce both the cost of making Government payments and the risks of loss by theft or fraud of payments to Air Force members. At the same time, delivery of payments will be faster.

Other Government agencies are expected to participate in similar programs leading eventually to a nationwide electronic funds transfer system for the Federal Government. The other military services are expected to follow the Air Force in implementing a direct deposit electronic program. Of greater significance, in terms of the volume of checks that will be converted to electronic transmission, is the anticipated handling of a large number of social security and supplemental security income payments under a project recently announced jointly by the Treasury, the Social Security Administration, and the Federal Reserve.

The feasibility of the electronic distribution program was successfully demonstrated in tests conducted in September 1973. The Air Force Accounting and Finance Center in Denver simulated the distribution, on two consecutive payroll dates, of some 20,000 payroll deposits. The simulated payments involved the use of the Federal Reserve System facilities to distribute payroll information to Federal Reserve offices at Atlanta, Denver, and Los Angeles. There, the information was sorted by computer, and simulated payments were made for the participants' accounts at 189 commercial banks.

As a follow-up to the September 1973 tests, an expanded test program was successfully conducted during the payment dates of October 31 and November 15, 1974. The expanded test consisted of verifying the payroll deposits at financial organizations in the States of California, Georgia, Colorado, Wyoming, and part of New Mexico.

As a result of the success of the simulation tests, regular electronic distribution of pay for Air Force personnel who have authorized it can begin. Implementation of the program will be accomplished in three steps and will take nearly a year to complete. The three steps are:

Step 1—Distribution of the actual payroll deposits to financial institutions designated by Air

Force personnel in California, Georgia, Colorado, Wyoming, and part of New Mexico, beginning with the November 30, 1974, Air Force payroll.

Step 2—Expansion to include deposits of payroll credits to banks in the remaining areas served by the San Francisco and Atlanta Federal Reserve Districts scheduled for the first quarter of 1975.

Step 3—Continued expansion of the Air Force payroll project to include the remaining Federal Reserve offices, in an effort to provide nationwide coverage as soon as possible. The pace and extent of this expansion will depend upon technical capabilities available at each Federal Reserve office and the financial organizations involved.

Once fully implemented, the electronic distribution program for Air Force payroll deposits will include payments for all of the approximately 280,000 Air Force personnel who have volunteered to participate in the Air Force "Checks to Financial Organizations" program plus others who wish to participate in the electronic pay deposit program. In the "Checks to Financial Organizations" program, payroll credits in the form of checks or other payment media are delivered to the participant's financial organization, instead of to the participant.

OVERSEAS BRANCHES OF MEMBER BANKS: ASSETS AND LIABILITIES

Total assets of the overseas branches of member banks increased by \$40.6 billion, or 52 per cent, during 1973 to a total of \$118 billion, according to a Federal Reserve announcement that released data showing balance sheet items of overseas branches at the beginning and end of the year. At the end of 1973, 694 branches were in operation in foreign countries and overseas territories, an increase of 67 branches during the year.

The tabulations (which are available on request) show as separate items the amounts due from and due to other overseas branches of the same bank. Omitting these offshore inter-office claims, assets of the branches increased by \$36.7 billion, or 51 per cent. This growth was again principally accounted for by branches in Europe (particularly those in London) and in the Bahamas. The 1973 tabulation groups the figures for the 90 branches in the Bahamas with those for the 30 branches in the Cayman Islands because of the similarity of their operations. Almost all of the Cayman Island branches were established during 1973.

Loans at overseas branches expanded by \$13.8 billion, or 38 per cent, during 1973. In addition,

cash assets increased by \$20 billion (67 per cent), again reflecting continued expansion of time placements with other banks in Euro-currency markets.

The data are derived from reports of condition filed at the end of the year with the Comptroller of the Currency and the Federal Reserve System, and differ in certain respects from other statistical reports covering aspects of overseas branch operations. The assets and liabilities are payable in U.S. dollars as well as in currencies of the countries where the branches are located and in other foreign currencies.

CHANGE IN DISCOUNT RATE

The Board of Governors approved actions by the directors of the Federal Reserve Banks of New York and Philadelphia reducing the discount rate of those banks from 8 per cent to 7¾ per cent, effective December 9.

Subsequently, the Board approved similar actions by the directors of the Federal Reserve Banks of Boston, Chicago, Dallas, and Richmond, effective December 10; San Francisco, effective December 11; Cleveland, St. Louis, Minneapolis, and Kansas City, effective December 13; and Atlanta, effective December 16. At that time the rate was 7¾ per cent at all Reserve Banks.

The action was taken in view of the recent slackening in the demand for credit and in recognition of the lower level of market interest rates that has developed since last summer.

The discount rate is the rate charged member commercial banks for borrowing from their district Federal Reserve Banks.

HOLDINGS OF BANKERS' ACCEPTANCES

The Federal Reserve announced on November 22, 1974, that the limit on outright holdings of bankers' acceptances that may be held by the System has been increased from \$500 million to \$1 billion.

The increase was initially authorized by the Federal Open Market Committee on November 11, shortly after the suspension of the System's guarantee of acceptances purchased by the Federal Reserve Bank of New York for foreign official accounts. This initial action provided flexibility for possible System purchases of acceptances to insure a smooth market adjustment.

At its November meeting, the FOMC decided to retain the \$1 billion limit, which was deemed consistent with longer-term needs of open market operations.

The limit on outright holdings of bankers' acceptances had been increased from \$125 million to \$500 million last July in light of the sharp growth in outstanding acceptances over the previous decade—from \$3¼ billion to \$12 billion. Since July, outstanding acceptances have grown sharply further, to more than \$16 billion.

Also, on November 22 the Board of Governors terminated the System guarantee on acceptances purchased for foreign official accounts. Suspension of this guarantee was announced by the Federal Reserve Bank of New York on November 8, 1974.

SURVEY OF FEDERAL FUNDS BORROWING

Aggregate data from a special survey of Federal funds borrowing by a sample of member banks during the week ended April 24, 1974, are now available. These data may be obtained on request from the Banking Section, Division of Research and Statistics, Board of Governors of the Federal Reserve System, Washington, D.C. 20551.

The survey, in which 45 of the 46 money market banks participated, provided previously unavailable information regarding the composition of Federal funds borrowing with respect to (1) form of transaction (that is, repurchase agreements against U.S. Government or agency securities or other forms), (2) maturity of loan, and (3) type of institution making the loan. In addition, figures on commitments to borrow Federal funds in the future were obtained for the 45 banks in the sample.

PUBLISHED INTERPRETATIONS OF THE BOARD

Supplement No. 22 to the looseleaf compilation of "Published Interpretations of the Board of Governors of the Federal Reserve System," containing the published interpretations as of June 30, 1974, is now available.

ADMISSION OF STATE BANKS TO MEMBERSHIP IN THE FEDERAL RESERVE SYSTEM

The following banks were admitted to membership in the Federal Reserve System during the period November 16, 1974, through December 15, 1974:

Tennessee

Gallatin Commerce Union Bank
of Sumner County
Lawrenceburg Commerce Union Bank
of Lawrence County
Murfreesboro Commerce Union Bank
of Rutherford County