

Minutes of the Meeting of the Board of the Federal Reserve System on Friday, March 15, 1968. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Morris, Chairman
Mr. Board **MINUTES** Chairman
Mr. Board

Board of Governors of the Federal Reserve System

Mr. Board
Mr. Board **March 15, 1968**

- Mr. Board, Secretary
- Mr. Board, Deputy Secretary
- Mr. Board, Assistant Secretary
- Mr. Board, Member Ad Hoc to the Board and
Director, Division of Research and Statistics
- Mr. Board, Assistant to the Board
- Mr. Board, General Counsel
- Mr. Board, Deputy Director, Division of
Banking and Finance
- Mr. Board, Special Assistant, Office of
the Secretary
- Miss Board, Secretary Assistant, Office
of the Secretary
- Mr. Board, Assistant, Secretary, Vermont,
Robert, Fry, Galt, and
Kitty of the Division of Research and Statistics
- Mr. Board, Secretary, Secretary, Galt, Wood,
Galt, and Fry of the Division of International
Finance

Discount rate. The Board by a vote of 10-0 has been
referred of action by the Board of Governors of the Federal Reserve Bank
of San Francisco establishing a rate of 5 per cent (rather than 4-1/2
per cent) on discounts for and advances to member banks under sections 13
and 13a of the Federal Reserve Act, a rate of 4-1/4 per cent on advances

3/15/68 Minutes of the Board of Governors of the Federal Reserve System on Friday, March 15, 1968. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Robertson, Vice Chairman
Mr. Mitchell
Mr. Maisel
Mr. Brimmer
Mr. Sherrill
Mr. Holland, Secretary
Mr. Kenyon, Deputy Secretary
Mr. Forrestal, Assistant Secretary
Mr. Brill, Senior Adviser to the Board and
Director, Division of Research and Statistics
Mr. Sherman, Assistant to the Board
Mr. Hackley, Assistant to the Board
Mr. Molony, Assistant to the Board
Mr. Cardon, Assistant to the Board
Mr. Fauver, Assistant to the Board
Mr. Hexter, General Counsel
Mr. Leavitt, Deputy Director, Division of
Examinations
Mr. Bernard, Special Assistant, Office of
the Secretary
Miss Wolcott, Technical Assistant, Office
of the Secretary
Messrs. Partee, Axilrod, Gramley, Wernick,
Eckert, Keir, Baker, Ettin, Fry, Gekker, and
Kelty of the Division of Research and Statistics
Messrs. Sammons, Reynolds, Hersey, Katz, Wood,
Bryant, and Stem of the Division of International
Finance

Discount rate. The Secretary reported that advice had been received of action by the Board of Directors of the Federal Reserve Bank of San Francisco establishing a rate of 5 per cent (rather than 4-1/2 Per cent) on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, a rate of 5-1/2 per cent on advances

3/15/68

-2-

under section 10(b) of the Act, and a rate of 6 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13 of the Act, subject to review and determination by the Board of Governors.

The Board approved unanimously, effective March 15, 1968, the rates established by the directors of the San Francisco Bank, with the understanding that the usual press release would be issued and that appropriate notification and publication procedures would be followed.

The Board also authorized the Secretary, upon receipt of advice from other Reserve Banks of action taken by the directors of such Banks to establish a rate of 5 per cent on discounts for and advances to member banks under sections 13 and 13a, along with appropriately corresponding secondary rates, to advise those Banks of approval of such rates by the Board of Governors, with the understanding that the usual press release would be issued and that appropriate notification and publication procedures would be followed.

Secretary's Notes: Later in the day advice was received that the Board of Directors of the Federal Reserve Bank of Philadelphia had established, subject to review and determination by the Board of Governors, rates of 5 per cent on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, 5-1/2 per cent on advances under section 10(b), and 6 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13. Pursuant to the authority granted by the Board of Governors, the Secretary advised the Philadelphia Bank of approval of such rates effective March 18, 1968, and an appropriate press release was issued.

3/15/68

-3-

On March 21, 1968, the New York Reserve Bank advised that its Board of Directors had established, subject to review and determination by the Board of Governors, rates of 5 per cent on discounts for and advances to member banks under sections 13 and 13a of the Federal Reserve Act, 5-1/2 per cent on advances under section 10(b), and 6-1/2 per cent on advances to individuals, partnerships, and corporations other than member banks under the last paragraph of section 13. Pursuant to the authority given by the Board of Governors, the Secretary advised the New York Bank of approval of such rates effective March 22, 1968, and an appropriate press release was issued.

Money market review. Reports were given on the Government securities market, bank credit developments, and foreign exchange market developments. Copies of the charts and tables distributed in connection with today's review have been placed in the Board's files.

After discussion based on the staff review, members of the research divisions except Messrs. Brill, Partee, Gramley, Sammons, and Keir withdrew from the meeting, as did Messrs. Fauver and Bernard, and the following entered:

Mr. Egertson, Assistant Director, Division of Examinations
Messrs. Eisenbeis and Wiles of the Division of Research
and Statistics

Report on competitive factors. A report to the Federal Deposit Insurance Corporation on the competitive factors involved in the proposed consolidation of The Dime Savings Bank of Norwich, Norwich, Connecticut, with The Chelsea Savings Bank, also of Norwich, was approved unanimously for transmittal to the Corporation. The conclusion read as follows:

3/15/68

-4-

The proposed consolidation of The Dime Savings Bank of Norwich with The Chelsea Savings Bank, Norwich, would eliminate a significant amount of existing and potential competition and further increase the concentration of IPC time and savings deposits and mortgages in the New London-Groton-Norwich Standard Metropolitan Statistical Area. Overall, the competitive effect of the proposed consolidation would be substantially adverse.

Private Pension Plan Act. In January the Board had agreed to join with other agencies in supporting a memorandum from the Secretary of Labor to the White House recommending that a set of legislative proposals developed by a task force of the President's Committee on Private Pension Plans, of which Chairman Martin was a member, be given a high priority in the Administration's 1968 legislative program. At that time legislative draft language had not been prepared, and the Board reserved the right to comment later on the specifics of the legislation.

There had now been distributed a memorandum from the Division of Research and Statistics dated March 13, 1968, advising that the draft bill had been completed and the Board had been asked for comment. The memorandum commented on the various provisions of the draft bill and expressed the view that on balance the proposed legislation represented a carefully developed and useful program that deserved Federal Reserve support. Attached to the memorandum was a suggested letter to the Bureau of the Budget.

After discussion, unanimous approval was given to a letter to the Bureau of the Budget in the form attached as Item No. 1.

3/15/68

-5-

Gold cover bill. Unanimous approval was given to a letter to the Bureau of the Budget recommending favorably on enrolled bill H.R. 14743, "To eliminate the reserve requirements for Federal Reserve notes and for United States notes and Treasury notes of 1890." A copy of the letter is attached as Item No. 2.

The meeting continued from this point with limited staff attendance.

Chairman Martin referred to the joint release issued yesterday by the Secretary of the Treasury and himself in which it was announced that the central bank governors of the active gold pool countries had been invited to consult on coordinated measures to insure orderly conditions in the exchange markets and to support the present pattern of exchange rates based on the fixed price of \$35 per ounce of gold. He then reviewed the arrangements that were being made for the weekend meeting, which would be held at the Federal Reserve Building.

After discussion of the arrangements being made, Governor Brimmer commented that he had distributed a memorandum incorporating certain views with respect to Regulation Q ceilings and the Chairman indicated that the subject would be considered by the Board at the earliest opportunity.

The meeting then adjourned.

Secretary's Notes: A letter was sent today to Bank of America National Trust and Savings Association, San Francisco, California, acknowledging receipt of notice of its intent to

3/15/68

-6-

establish an additional branch in Guatemala, to be located in Plazuela Espana, Guatemala City.

Governor Robertson today approved on behalf of the Board the following items:

Letter to Mr. Lawrence C. Lev Dahl, Sterling, Virginia, confirming arrangements for a course in effective listening as an activity of the Board's Employee Training and Development Program, with a fee of \$75 to be paid for the course.

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

Appointment

John Franklin McGehee as Analyst, Division of Data Processing, with basic annual salary at the rate of \$18,404, effective the date of entrance upon duty, it being understood that the Board would pay the cost of moving his household effects from South Merritt Island, Florida, to Washington, D. C., along with transportation expenses for Mr. McGehee and his immediate family.

Salary increase

Linda Lee Sink, Mailing List Clerk and Flexowriter Operator, Division of Administrative Services, from \$4,108 to \$4,466 per annum, effective March 24, 1968.

Transfer

Lucille E. Hoft, from the position of Secretary, Division of Personnel Administration, to the position of Secretary, Office of the Secretary, effective March 24, 1968.

On March 15, 1968, actions were taken on behalf of the Board under delegated authority as reflected in the following letters, copies of which are attached as indicated:

3/15/68

BURAU OF GOVERNORS
FEDERAL RESERVE SYSTEM

Item No. 1
3/15/68

By the Acting Director of the Division of Examinations

Item No.

Letter to the Federal Deposit Insurance Corporation regarding the application of Deer Lodge Bank and Trust Company, Deer Lodge, Montana, for continuation of deposit insurance after withdrawal from membership in the Federal Reserve System.

3

By the Federal Reserve Bank of Boston

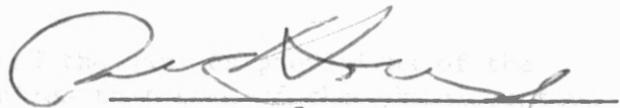
Letter to The Brooks Bank and Trust Company, Torrington, Connecticut, granting an extension of time within which to establish an in-town branch.

4

By the Federal Reserve Bank of Chicago

Letter to Forest City Bank & Trust Company, Forest City, Iowa, granting an extension of time within which to establish an in-town branch (drive-in facility).

5


Secretary

The Board has reviewed the proposed legislation...
The Board, therefore, strongly recommends that the bill be passed.

Very truly yours,
Richard F. Belland
Assistant Secretary



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

Item No. 1
3/15/68

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 15, 1968.

Mr. Wilfred H. Rommel,
Assistant Director for
Legislative Reference,
Executive Office of the President,
Bureau of the Budget,
Washington, D. C. 20503

Dear Mr. Rommel:

This is in reply to your letter requesting comments from the Board of Governors on the proposed Private Pension Plan Act of 1968.

The Board has reviewed the various provisions of the proposed Act. While it recognizes that some of the administrative provisions in Titles IV and V are still subject to revision through further inter-agency consultation, the Board believes that the proposed legislation provides a generally balanced and carefully developed program which should help to achieve the important social objectives sought by the President's Committee on Corporate Pension Funds.

The Board, therefore, favors transmittal of the bill to Congress.

Very truly yours,

(signed) Robert C. Holland

Robert C. Holland,
Secretary.

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

Item No. 2
3/15/68

OFFICE OF THE CHAIRMAN

March 15, 1968.

Mr. Wilfred H. Rommel,
Assistant Director for
Legislative Reference,
Bureau of the Budget,
Executive Office Building,
Washington, D. C. 20503

Dear Mr. Rommel:

This is in response to the telephone request from your office this morning for the Board's views on the enrolled bill, H.R. 14743, "To eliminate the reserve requirements for Federal Reserve notes and for United States notes and Treasury notes of 1890."

The Board is in favor of the proposed legislation and recommends that the enrolled bill be approved by the President.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



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

1085
Item No. 3
3/15/68

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 18, 1968

Mr. Edward H. DeHority, Chief,
Division of Examinations,
Federal Deposit Insurance Corporation,
Washington, D. C. 20429

Dear Mr. DeHority:

Reference is made to your letter of March 6, 1968, concerning the application of Deer Lodge Bank and Trust Company, Deer Lodge, Montana, for continuance of deposit insurance after withdrawal from membership in the Federal Reserve System.

Under delegated authority, the Acting Director of the Division of Examinations has stated on behalf of the Board of Governors that the past several examinations of the subject bank have revealed an unsatisfactory condition. The bank has a fairly high volume of criticized loans, and management has been urged to strengthen weak loan and collection policies. In addition, management of the bank has been viewed as poor.

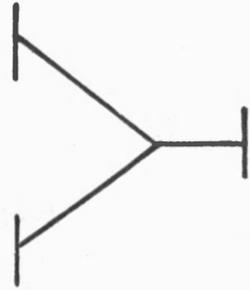
He also has stated that there have been no other corrective programs urged upon the bank, or agreed to by it, which have not been fully consummated, and there are no programs that the Board would advise be incorporated as conditions of admitting the bank to membership in the Corporation as a nonmember of the Federal Reserve System. Nevertheless, you may wish to consider the above information in your review of this application.

Very truly yours,

(Signed) Robert P. Forrestal

Robert P. Forrestal,
Assistant Secretary.

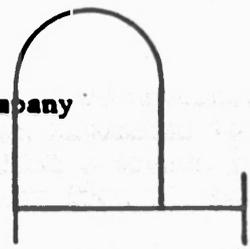
FEDERAL RESERVE BANK OF BOSTON
30 PEARL STREET



March 15, 1968

Board of Directors
The Brooks Bank and Trust Company
Torrington, Connecticut

Gentlemen:



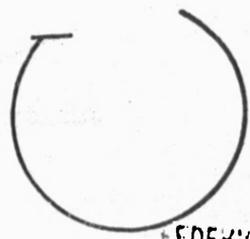
On behalf of the Board of Governors of the Federal Reserve System, acting under delegated authority, this Bank extends to May 1, 1968, the time within which The Brooks Bank and Trust Company, Torrington, Connecticut, may establish a branch at The Torrington Parkade Shopping Center, Torrington, Connecticut.



Very truly yours,

Luther M. Hoyle, Jr.
Vice President

/pef



FEDERAL RESERVE BANK
OF BOSTON
BOSTON, MASSACHUSETTS

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Item No. 5
3/15/68

FEDERAL RESERVE BANK OF CHICAGO

230 SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60690
(312) HA 7-2320

March 15, 1968

Mr. Gordon L. Wold
Vice President and Cashier
Forest City Bank & Trust Company
P. O. Box 32
Forest City, Iowa 50436

Dear Mr. Wold:

On behalf of the Board of Governors, acting under delegated authority, this Bank grants an extension to June 1, 1968, of the time in which your bank may establish a branch (drive-in facility) on J Street, approximately 75 feet from the bank's head office.

We shall appreciate being advised of the date on which the facility is opened for business.

Very truly yours,



Leland Ross
Vice President

LR:rk

cc - Board of Governors ✓
Iowa State Banking Department
Examiner's file

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