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BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

To Chairman Burns

From George L. Spencer, Jr.

Date December 6, 1971

Subject: Luncheon and conference with Government Relations Council of the American Bankers Association--Tuesday, December 7.

As you know, the Government Relations Council of the American Bankers Association will visit the Board's offices on Tuesday, December 7, for luncheon in the Staff Dining Room at 1:00 p.m. to be followed by a conference with available Members of the Board and certain staff.

Attached is a list of the members of the Government Relations Council who are expected to be in Washington this week. The American Bankers Association is of the impression that some ot those persons listed may not find it possible to be in the group that visits the Board on Tuesday, and they probably will not have final information on that point until sometime that morning.

Those persons who plan to attend the luncheon and conference are requested to gather in the Board Room shortly before 1:00 p.m. to greet the visitors prior to proceeding to the Staff Dining Room.

Attachment

Representatives of the

Government Relations Council of the

American Bankers Association

to attend luncheon/conference on

Tuesday, December 7, 1971

Chairman

Mr. B. Finley Vinson
Chairman of the Board
First National Bank in Little Rock
($150 mil.)
Little Rock, Arkansas

Vice Chairman

Mr. George A. LeMaistre
Chairman and Chief Executive Officer
The City National Bank of Tuscaloosa
($63 mil.)
Tuscaloosa, Alabama

Members

Mr. Aubrey E. Austin, Jr., President
Santa Monica Bank ($99 mil.)
Santa Monica, California

Mr. John J. Balles, Senior Vice President
Mellon National Bank & Trust Co.
($6 bil.)
Pittsburgh, Pennsylvania

Mr. James S. Barker, Vice Chairman
Bank of New Hampshire, N.A. ($108 mil.)
Manchester, New Hampshire

Mr. Norman Barker, Jr., President
United California Bank ($6 bil.)
Los Angeles, California

Members (cont'd)

Mr. Joseph W. Barr, President
American Security and Trust Co.
($807 mil.)
Washington, D. C.

Mr. Frank Bauder
Chairman and Chief Executive Officer
Central National Bank ($612 mil.)
Chicago, Illinois

Mr. Raymond W. Bauer, President
Union County Trust Company ($246 mil.)
Elizabeth, New Jersey

Mr. G. Clarke Bean, Chairman
The Arizona Bank ($538 mil.)
Phoenix, Arizona

Mr. Kenneth C. Bonnell
President
The First National Bank ($40 mil.)
Roswell, New Mexico

Mr. H. Phelps Brooks, Jr., President
The Peoples National Bank ($8 mil.)
Chester, South Carolina

Mr. Arthur F. Brown, Jr., President
The Carroll County Trust Co. ($15 mil.)
Conway, New Hampshire

Mr. James E. Brown
Senior Vice President
Mercantile Trust Company ($1 bil.)
St. Louis, Missouri

Mr. Richard P. Brown
Senior Vice President and Executive Trust Officer
The First National Bank ($677 mil.)
Denver, Colorado

Mr. A. Dwight Button
Chairman of the Board
The Fourth National Bank & Trust Co. ($304 mil.)
Wichita, Kansas

Mr. Charles J. Cassidy
Chairman of the Board and President
First State Bank and Trust Company ($33 mil.)
Bogalusa, Louisiana

Mr. Robert L. Cave, President
First City Bank and Trust Company ($39 mil.)
Hopkinsville, Kentucky

Mr. Ezra T. Clark, President
Davis County Bank ($9 mil.)
Farmington, Utah

Mr. Robert G. Clawson, President
The Bank of Hartsville ($18 mil.)
Hartsville, South Carolina

Mr. W. T. Cothran, Chairman of the Board
Birmingham Trust National Bank ($417 mil.)
Birmingham, Alabama

Mr. John J. Cummings, Jr., President
Industrial National Bank of R.I. ($1 mil.)
Providence, Rhode Island

Mr. Russell M. Daane
Vice Chairman of the Board
Fort Wayne National Bank ($190 mil.)
Fort Wayne, Indiana

Mr. T. Crawley Davis, Jr.
Senior Vice President
Bank of Delaware ($330 mil.)
Wilmington, Delaware

Mr. William G. Deathrage, President
Planters Bank & Trust Company ($56 mil.)
Hopkinsville, Kentucky

Mr. Robert B. Doyle
Senior Vice President
Hartford National Bank & Trust Co. ($1 bil.)
Hartford, Connecticut

Mr. J. Rex Duwe, President
The Farmers State Bank ($3 mil.)
Lucas, Kansas

Mr. Joseph F. Fahey, Jr.
Senior Vice President
The State National Bank of Connecticut ($405 mil.)
Bridgeport, Connecticut

Mr. Robert W. Feagles
Senior Vice President
First National City Bank ($27 bil.)
New York, New York

Mr. Joseph B. Foster
President
Ann Arbor Bank ($162 mil.)
Ann Arbor, Michigan

Mr. William W. Foulkes, Jr.
Senior Vice President
The First Jersey National Bank ($507 mil.)
Jersey City, New Jersey

Mr. Robert W. Franz, President
First State Bank of Oregon ($98 mil.)
Milwaukie, Oregon

Mr. Paul W. Gandrud, President
Swift County Bank ($13 mil.)
Benson, Minnesota

Mr. Richard M. Gillett, President
Old Kent Bank and Trust Company
($691 mil.)
Grand Rapids, Michigan

Mr. Henry Gramann, Jr., President
Adams State Bank ($2 mil.)
Adams, Nebraska

Mr. Hubert H. Hauck
Chairman of the Board
Maine National Bank ($223 mil.)
Portland, Maine

Mr. Lester W. Herzog, Jr., President
National Commercial Bank & Trust Co.
($1 bil.)
Albany, New York

Mr. A. Lawrence Higgins
Executive Vice President
The Continental Bank & Trust Co.
($138 mil.)
Salt Lake City, Utah

Mr. Floyd A. Hines
Chairman of the Board
Fayette Bank and Trust Company ($24 mil.)
Connersville, Indiana

Mr. Lewis R. Holding, President
First-Citizens Bank & Trust Co.
($788 mil.)
Raleigh, North Carolina

Mr. Richard J. Holland, President
The Farmers Bank ($12 mil.)
Windsor, Virginia

Mr. Walter F. Johnson, President
First National Bank ($81 mil.)
Abilene, Texas

Mr. S. R. "Buddy" Jones, Jr.
President and Chief Executive Officer
First Pasadena State Bank ($88 mil.)
Pasadena, Texas

Mr. William H. Kennedy, Jr. President
National Bank of Commerce ($61 mil.)
Pine Bluff, Arkansas

Mr. Donald E. Lasater, Chairman
Mercantile Trust Company ($1 bil.)
St. Louis, Missouri

Mr. John P. Laware
Senior Vice President
Chemical Bank ($12 bil.)
New York, New York

Mr. Richard Lothian, President
Somerset Trust Company ($92 mil.)
Somerville, New Jersey

Mr. Richard G. Macgill, President
The New Jersey National Bank ($608 mil.)
Trenton, New Jersey

Mr. Adrian O. McLellan, President
First National Bank ($91 mil.)
Great Falls, Montana

Mr. William F. Melville, Jr.
Senior Vice President
Maryland National Bank ($1 bil.)
Baltimore, Maryland

Mr. Wayne F. Messenger, President
First State Bank ($12 mil.)
Cody, Wyoming

Mr. Horace G. Moeller, President
Colonial National Bank ($172 mil.)
Haddonfield, New Jersey

Mr. Stephen G. Moore, Vice President
The Merchants National Bank ($49 mil.)
Burlington, Vermont

Mr. Hermann Moyse, Jr.
Executive Vice President
City National Bank of Baton Rouge
($127 mil.)
Baton Rouge, Louisiana

Mr. Robert B. Palmer
Senior Vice President
Philadelphia National Bank ($3 bil.)
Philadelphia, Pennsylvania

Mr. C. L. Priddy, President
The National Bank of McAlester
($34 mil.)
McAlester, Oklahoma

Mr. K. A. Randall
President and Chief Executive Officer
United Virginia Bankshares, Inc.
($1 bil.)
Richmond, Virginia

Mr. J. Fred Risk, Chairman
The Indiana National Bank ($1 bil.)
Indianapolis, Indiana

Mr. Leo W. Seal, Jr., President
Hancock Bank ($115 mil.)
Gulfport, Mississippi

Mr. C. Gale Sellens, President
Lakeside National Bank ($35 mil.)
Wheat Ridge, Colorado

Mr. Al K. Simpson, President
Merchants National Bank & Trust Co.
($59 mil.)
Fargo, North Dakota

Mr. Joe B. Sisler, President
The Clovis National Bank ($33 mil.)
Clovis, New Mexico

Mr. Virgil E. Solso, President
The Oregon Bank ($159 mil.)
Portland, Oregon

Mr. Samuel B. Stewart
Senior Vice Chairman of the Board
Bank of America, N.T. & S.A. ($32 bil.)
San Francisco, California

Mr. Leon Stone, President
The Austin National Bank ($267 mil.)
Austin, Texas

Mr. Arnold H. Sturtevant
President
Livermore Falls Trust Company
($18 mil.)
Livermore Falls, Maine

Mr. Richard H. Swain, President
The First National Bank ($29 mil.)
Cape Girardeau, Missouri

Mr. Clifton D. Terry, President
Bank of Hawaii ($815 mil.)
Honolulu, Hawaii

Mr. James A. Webb, Jr.
Executive Vice President
Third National Bank in Nashville
($634 mil.)
Nashville, Tennessee

Mr. Williard I. Webb, III, President
The Ohio Citizens Trust Company
($235 mil.)
Toledo, Ohio

Mr. J. C. Welman, Jr.
Senior Vice President
First National Bank of Minneapolis
($1 bil.)
Minneapolis, Minnesota

Mr. John H. Wheeler, President
Mechanics & Farmers Bank ($26 mil.)
Durham, North Carolina

Mr. E. Paul Williams, President
Second National Bank ($59 mil.)
Ashland, Kentucky

Mr. Robert D. Williams, President
First National Bank of Arizona ($ 1 bil.
Phoenix, Arizona

Mr. Charles E. Woodruff
Executive Vice President
Manufacturers Hanover Trust Company
($14 bil.)
New York, New York

Mr. Marchant D. Wornom
Executive Vice President - Treasurer
Virginia Bankers Association
Richmond, Virginia

Mr. Sam I. Yarnell
Chairman of the Board
American National Bank and Trust Co.
($291 mil.)
Chattanooga, Tennessee

NOTE: Figures in parentheses represent total resources

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036

FEDERAL ADMINISTRATIVE ADVISER
WILLIAM T. HEFFELFINGER, CONSULTANT
202/467-4200

January 5, 1972

Mrs. Catherine Mallardi
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Mrs. Mallardi:

There is enclosed for Chairman Burns' information a copy of the agenda for the Government Borrowing Committee's meeting on January 25-26, 1972. We have scheduled Dr. Burns to meet with the Committee at 4:00 p.m. If he prefers some other time the Committee can arrange its schedule to meet his desire.

Sincerely,

W. T. Heffelfinger

W. T. Heffelfinger

WTH:TB

Enclosure

AGENDA
GOVERNMENT BORROWING COMMITTEE
The American Bankers Association
January 25-26, 1972

Tuesday, January 25, 1972

9:00 a.m.	Committee meets in Room 4426 of the Treasury Department for briefing on Federal Financing Bank 1/
10:00 a.m.	Committee to review slides in Room 2334 of the Treasury 1/
11:00 a.m.	Committee to meet with Under Secretary for Monetary Affairs, Mr. Paul Volcker, in Room 4426 of the Treasury Department for backgrounding 1/
12:30 p.m.	Refreshments
1:00 p.m.	Luncheon Cabinet and Pan American Rooms, Mayflower Hotel
2:30 p.m.	Committee to reconvene in Board Room of The American Bankers Association, 1120 Connecticut Avenue, N. W. (7th floor) 2/ Chairman Burns (Federal Reserve Board) will meet with the Committee at 4:00 p.m.
6:30 p.m.	Cocktails
7:00 p.m.	Dinner Cabinet and Pan American Rooms, Mayflower Hotel

Wednesday, January 26, 1972

9:15 a.m.	Committee to reconvene in Board Room of The American Bankers Association, 1120 Connecticut Avenue, N. W. 2/
10:00 a.m.	Committee to report its recommendations to Secretary Connally and the Treasury Financing Group in Room 4426 of the Treasury Department 1/

1/ Treasury will use the regular projection room on the second floor at southwest corner of building (corner facing the Mall and the White House). Briefing on Federal Financing Bank and Conference with Under Secretary for Monetary Affairs and report to the Secretary of the Treasury will be held in the 4th floor Conference Room on west side of building near the center elevators opposite the White House.

2/ This location is on Connecticut Avenue opposite the Mayflower Hotel.

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N. W., WASHINGTON, D. C. 20036

PRESIDENT
ALLEN P. STULTS
AMERICAN NATIONAL BANK AND
TRUST COMPANY
CHICAGO, ILLINOIS 60690

March 6, 1972

The Honorable William Proxmire
Chairman, Joint Economic Committee
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In your letter of February 4, 1972, you invited The American Bankers Association to submit written comments on the economic issues which concern the nation and our organization. This letter conveys the official views of our Association on this important matter.

The American Bankers Association has applauded President Nixon for taking bold action since August 15, 1971, to stem persisting inflationary pressures domestically and to reverse the growing deficit in our international balance of payments. At the same time, the Association has also stressed the need to complement controls with appropriate fiscal and monetary policy measures, in order to permit an early phase-out of the temporarily imposed wage-price constraints.

Members of the banking and financial community recognize that fiscal and monetary policy measures must be responsive to the needs of a growing economy. At the same time, however, it is important to note that a fine line exists between appropriate stimulation of real economic growth and the rekindling of inflationary expectations. Clearly, the anticipated 38.8 billion dollar deficit for this fiscal year -- which would involve an estimated 8 billion dollar deficit even if the economy were operating at full employment -- could tip the scales in the direction of renewed inflationary pressures and expectations. This, in turn, may jeopardize the possibility of achieving non-inflationary growth domestically and an improved trade position internationally, as envisioned under the President's New Economic Program.

In the area of monetary policy, we note that the Federal Reserve has again moved to ease monetary conditions substantially, and short-term interest rates have fallen dramatically. This effort to make credit conditions much easier as the economy moves upward has certain disturbing implications. The weakness of the dollar in foreign exchange markets, and continued uneasiness in domestic money markets, reflect these concerns and bear witness to the persistent uncertainty which exists about inflation both at home and abroad.

The failure to achieve a steadier pattern in monetary policy also has important implications for both financial conditions in the short run and the

achievement of sustained economic growth in the long run. To be sure, the need to finance a substantially enlarged federal deficit, coupled with other credit demands which can be expected to develop in 1972, only compounds the difficulties associated with achieving orderly growth in money and credit. A less expansionary fiscal policy than currently envisioned would moderate prospective upward pressures on interest rates and be more conducive to an orderly growth in monetary aggregates. This, in turn, would alleviate the dangers of seriously disruptive changes in the total flow and allocation of credit that would accompany the development of excessive upward pressures on rates of interest.

Improved productivity represents another important ingredient for achieving non-inflationary growth in our economy. The Association has long supported the modernization of plant facilities and work rules, and the elimination of numerous rigidities in the economy, as steps toward increasing the growth of productivity. Additional attention should be focused on the development of appropriate programs and policies in this area.

Finally, the Association wishes to express the uneasiness of the financial community concerning the implementation of certain aspects of the Phase II wage-price program. The difficulties experienced by the Wage Board in holding wage increases to a level consistent with the Price Commission's goals obviously contribute to inequities, and may result in a breakdown of public support for the program before it has achieved its objectives.

In summary, we strongly recommend that the Administration place greater emphasis on programs designed to garner the long-term employment benefits of non-inflationary economic policies. To achieve this, we urge both the Administration and the Congress to hold the growth of Federal expenditures below present budget levels during the critical months that lie ahead. This would permit the monetary authorities to adopt a steadier approach to implementing monetary policy. In addition, we suggest that the Congress and the Administration continue to emphasize the importance of productivity as a basic determinant of compensation levels. Finally, we urge the Wage Board and the Price Commission to work together more closely in the future to ensure the success of the President's efforts to curtail inflationary pressures and expectations in the economy. Hopefully, taken together these measures will enable the Administration, at an early date, to remove the restraints temporarily imposed on wage and price decision-making in the economy.

Sincerely,

Allen P. Stults

Allen P. Stults
President

cc - Hamilton D. Gewehr, Administrative
Clerk (30 copies)

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N. W., WASHINGTON, D. C. 20036

PRESIDENT
ALLEN P. STULTS
AMERICAN NATIONAL BANK AND
TRUST COMPANY
CHICAGO, ILLINOIS 60690

March 9, 1972

The Honorable Arthur F. Burns
Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Mr. Chairman:

For many years The American Bankers Association, by policy, has vigorously supported the independence of the Federal Reserve System within the Government as a prerequisite to effective monetary policy.

The Government Relations Council of our Association during a recent meeting discussed the Congressional and newspaper comment on a proposal by the Chairman of the House Committee on Banking and Currency to subject the Federal Reserve Board and the Federal Reserve Banks to audit by the Comptroller General of the United States.

They were in complete disagreement with that proposal and the purpose of this letter is to reiterate emphatically that The American Bankers Association continues its position in support of the independence of the Federal Reserve System, and will oppose any action which would subject the Federal Reserve Board and the Federal Reserve Banks to audit by the Comptroller General of the United States, as we believe this would be a step in weakening such independence.

Sincerely,

Allen P. Stults

Allen P. Stults

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

March 9, 1972

To: Chairman Burns
From: Charles Molony

Attached are:

(1) A memorandum from Messrs. Holland and Molony regarding telephoned expression of intent by Allen P. Stults, President of the American Bankers Association, to amplify in his remarks to the Mexican Bankers Association, March 11, the comments on monetary policy given in a letter by Mr. Stults for the ABA to Senator Proxmire, March 6.

(2) Text copy of the March 6 letter by Mr. Stults to Senator Proxmire.

(3) A New York Journal of Commerce story, March 8, quoting the March Economic Letter of the First National City Bank under headline: "Dollar's Weakness Not Due to Fed Money Policy."

(4) Text of the relevant portion of the First National City Bank letter noted above.

(5) Complete copy of the First National City Bank letter with the portions previously noted appearing at pages 3, 4, and 5.

March 9, 1962

TO: Chairman Burns

FROM: Robert C. Holland and Charles Molony

Mr. Allen P. Stults, President of the American Bankers Association, has indicated that he intends to include in his remarks to the Mexican Bankers Association on March 11, 1972 an amplification along the following lines of the judgments concerning U. S. monetary policy which were contained in The American Bankers Association letter of March 6, 1972 to Senator Proxmire, Chairman of the Joint Economic Committee of the Congress:

Some press reports on the above letter gave an unfortunate misemphasis to the weight of our concerns. While we do have some concern about the abundant volume of credit and liquidity being made available to the American economy, by far our greatest concern attaches to fiscal policy and the possible consequences of the very large deficits to which our economic system is being subjected.

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N. W., WASHINGTON, D. C. 20036

PRESIDENT
ALLEN P. STULTS
AMERICAN NATIONAL BANK AND
TRUST COMPANY
CHICAGO, ILLINOIS 60690

March 6, 1972

The Honorable William Proxmire
Chairman, Joint Economic Committee
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

In your letter of February 4, 1972, you invited The American Bankers Association to submit written comments on the economic issues which concern the nation and our organization. This letter conveys the official views of our Association on this important matter.

The American Bankers Association has applauded President Nixon for taking bold action since August 15, 1971, to stem persisting inflationary pressures domestically and to reverse the growing deficit in our international balance of payments. At the same time, the Association has also stressed the need to complement controls with appropriate fiscal and monetary policy measures, in order to permit an early phase-out of the temporarily imposed wage-price constraints.

Members of the banking and financial community recognize that fiscal and monetary policy measures must be responsive to the needs of a growing economy. At the same time, however, it is important to note that a fine line exists between appropriate stimulation of real economic growth and the rekindling of inflationary expectations. Clearly, the anticipated 38.8 billion dollar deficit for this fiscal year -- which would involve an estimated 8 billion dollar deficit even if the economy were operating at full employment -- could tip the scales in the direction of renewed inflationary pressures and expectations. This, in turn, may jeopardize the possibility of achieving non-inflationary growth domestically and an improved trade position internationally, as envisioned under the President's New Economic Program.

In the area of monetary policy, we note that the Federal Reserve has again moved to ease monetary conditions substantially, and short-term interest rates have fallen dramatically. This effort to make credit conditions much easier as the economy moves upward has certain disturbing implications. The weakness of the dollar in foreign exchange markets, and continued uneasiness in domestic money markets, reflect these concerns and bear witness to the persistent uncertainty which exists about inflation both at home and abroad.

The failure to achieve a steadier pattern in monetary policy also has important implications for both financial conditions in the short run and the

achievement of sustained economic growth in the long run. To be sure, the need to finance a substantially enlarged federal deficit, coupled with other credit demands which can be expected to develop in 1972, only compounds the difficulties associated with achieving orderly growth in money and credit. A less expansionary fiscal policy than currently envisioned would moderate prospective upward pressures on interest rates and be more conducive to an orderly growth in monetary aggregates. This, in turn, would alleviate the dangers of seriously disruptive changes in the total flow and allocation of credit that would accompany the development of excessive upward pressures on rates of interest.

Improved productivity represents another important ingredient for achieving non-inflationary growth in our economy. The Association has long supported the modernization of plant facilities and work rules, and the elimination of numerous rigidities in the economy, as steps toward increasing the growth of productivity. Additional attention should be focused on the development of appropriate programs and policies in this area.

Finally, the Association wishes to express the uneasiness of the financial community concerning the implementation of certain aspects of the Phase II wage-price program. The difficulties experienced by the Wage Board in holding wage increases to a level consistent with the Price Commission's goals obviously contribute to inequities, and may result in a breakdown of public support for the program before it has achieved its objectives.

In summary, we strongly recommend that the Administration place greater emphasis on programs designed to garner the long-term employment benefits of non-inflationary economic policies. To achieve this, we urge both the Administration and the Congress to hold the growth of Federal expenditures below present budget levels during the critical months that lie ahead. This would permit the monetary authorities to adopt a steadier approach to implementing monetary policy. In addition, we suggest that the Congress and the Administration continue to emphasize the importance of productivity as a basic determinant of compensation levels. Finally, we urge the Wage Board and the Price Commission to work together more closely in the future to ensure the success of the President's efforts to curtail inflationary pressures and expectations in the economy. Hopefully, taken together these measures will enable the Administration, at an early date, to remove the restraints temporarily imposed on wage and price decision-making in the economy.

Sincerely,

Allen P. Stults

Allen P. Stults
President

cc - Hamilton D. Gewehr, Administrative
Clerk (30 copies)

Citibank Says—

Dollar's Weakness Not Due to Fed Money Policy

By PATRICK CONNOR
Journal of Commerce Staff

Federal Reserve monetary policy and low U.S. interest rates are not the important reason for the weakness of the

once thought to be immune to devaluation and then devalued has changed its status. . . . Foreign criticism of Fed policy seems largely beside the point."

Criticism Voiced

MAR 8 - 1972

See next page for text of pertinent part of 1st National City Bank letter

From

MONTHLY ECONOMIC LETTER

FIRST NATIONAL CITY BANK

FIRST NATIONAL CITY BANK NEW YORK

March 1972

Pp 3.4.5

MONEY: International

The failure of speculative funds to flow from other currencies back into the dollar is blamed on the low level of short-term interest rates in

How long these one-sided expectations about the dollar will persist is by no means clear. Much depends on how soon the current account of the U.S. balance of payments begins

Advance Press Copy—Release
Wednesday A.M., March 8, 1972

MONTHLY ECONOMIC LETTER

FIRST NATIONAL CITY BANK

FIRST NATIONAL CITY BANK NEW YORK

March 1972

General business conditions: still waiting for the spring

Some early data raise doubts, but the economy is headed the right way. And unless forecasts of 5-6% real growth are wide of the mark, breakthroughs will occur—particularly in retail sales.

The economic policymakers of the Nixon Administration are caught in a painful squeeze. The public, after years of exposure to the confident diagnoses of economists and politicians, has grown less tolerant of delays in the achievement of high employment and the elimination of inflation. But the recovery from the recession of 1969-70, like the contraction itself, has been protracted.

President Nixon's spectacular trip to China provided temporary relief for the policymakers' discomfiture by diverting attention from the domestic economy. But only an acceleration in the rate of economic growth and a further slowdown in the rate of inflation can effect a permanent cure. It is not enough that the economy is clearly headed in the right direction. What matters is the speed of its forward progress.

On that issue, the Administration continues to draw more solace from private forecasts and leading indicators of future economic activity than from data on the actual performance of the economy. Although some forecasters have scaled their projections down, the consensus among private and government analysts alike continues to point to a 5-6% gain in real output—the largest since 1966—accompanied by a further slowdown in price inflation. And the big upward jump in new orders for durable goods—together with planned increases in capital spending—lends support to this view.

Developments in the opening weeks of this year neither repudiate nor clearly validate the prevailing optimism. Retail sales, industrial production, housing starts and employment rose in January, after allowance for normal seasonal fluctuations. And business inventories rose in December—the latest month for which data are available—by the largest amount since

Summary ⟶

FR 373

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Date March 9

To Members of the Board

From Chas. Molony

Attached is the text of the ABA letter excerpted in the Wall Street Journal story today on page 8.

for dinner meeting April 18

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N. W., WASHINGTON, D. C. 20036

PRESIDENT
ALLEN P. STULTS
AMERICAN NATIONAL BANK AND
TRUST COMPANY
CHICAGO, ILLINOIS 60690

March 6, 1972

The Honorable William Proxmire
Chairman, Joint Economic Committee
United States Senate
Washington, D. C. 20510

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Sincerely,

Allen P. Stults

Allen P. Stults
President

cc - Hamilton D. Gewehr, Administrative
Clerk (30 copies)

[c. 3/72]

SUBJECTS OF INTEREST TO CHAIRMAN BURNS FOR POSSIBLE
COMMENT BY MEMBERS OF THE ABA GOVERNMENT BORROWING COMMITTEE

1. Prospective loan demand.

2. The outlook for interest rates, especially long-term rates.

3. Any suggestions for what the Committee on Interest and Dividends ought to be doing, currently or in the situation foreseen for the rest of 1972.

4. Reactions to the Board's proposed regulatory changes regarding reserve requirements (Regulation D) and check collection (Regulation J).

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036

April 3, 1972

Mrs. Catherine Mallardi
Secretary to Chairman Burns
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Mrs. Mallardi:

There is enclosed for your information a copy of the agenda for the next meeting of the Government Borrowing Committee. Please call to Chairman Burns' attention that the Committee will be meeting in our offices at 1120 Connecticut Avenue, N.W. The building (Bender) has another entrance on L Street, near 18th. Our board room is on the 7th floor.

The Committee will look forward, as usual, to meeting with Chairman Burns at 4:00 p.m. on April 25, 1972.

Sincerely yours,

H. A. Rabon

H. A. Rabon
Associate Federal Administrative Adviser

Enclosure
HAR(WTH)fv

AGENDA
GOVERNMENT BORROWING COMMITTEE
THE AMERICAN BANKERS ASSOCIATION
April 25-26, 1972

Tuesday, April 25, 1972

9:15 a.m.	Committee meets in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. (7th Floor) 1/
10:00 a.m.	Committee to review slides in Room 2334 of the Treasury 2/
11:00 a.m.	Committee to meet with Under Secretary for Monetary Affairs, Mr. Paul Volcker, in Room 4125 of the Treasury Department for backgrounding 3/
12:30 p.m.	Refreshments - Statler-Hilton Hotel, 16th & K Streets, Ohio Room (2nd Floor)
1:00 p.m.	Luncheon - California Room (2nd Floor)
2:30 p.m.	Committee to reconvene in Board Room of The American Bankers Association Chairman Burns (Federal Reserve Board) will meet with the Committee at 4:00 p.m.
6:30 p.m. 7:00 p.m	Cocktails - Chinese Room Dinner - Chinese Room Mayflower Hotel

Wednesday, April 26, 1972

9:15 a.m.	Committee to reconvene in Cafeteria Conference Room 6th Floor of The American Bankers Association, 1120 Connecticut Avenue, N.W.
10:00 a.m.	Committee to report its recommendations to Secretary Connally and the Treasury Financing Group in Room 4125 of the Treasury Department 3/

1/ This location is on Connecticut Avenue across from the Mayflower Hotel.

2/ Treasury will use the regular projection room on the second floor on southwest corner of building (corner facing the Mall and the White House).

3/ Conference with under Secretary for Monetary Affairs and report to the Secretary of the Treasury will be held in the 4th floor Conference Room on north side of building facing Pennsylvania Avenue.

March 22, 1972

GOVERNMENT BORROWING COMMITTEE

Chairman: Robert M. Surdam
President and Chief Executive Officer
National Bank of Detroit
RPA Box 116
Detroit, Michigan 48232 (313/965-6000)

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and Chief Executive Officer
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Wells Fargo Bank, N. A.
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and Chief Executive Officer
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Security Bank & Trust Company
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(612/ 372 - 7538)
(Past President, ABA)

Allen P. Stults, Chairman and
Chief Executive Officer
American National Bank & Trust Company
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Chicago, Illinois 60690
(312/ 661 - 6030)

William T. Heffelfinger
A.B.A. Consultant (202/ 467 - 4200)

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036

July 11, 1972

Mrs. Catherine Mallardi
Secretary to Chairman Burns
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Mrs. Mallardi:

There is enclosed for your information a copy of the agenda for the next meeting of the Government Borrowing Committee. Please call to Chairman Burns' attention that the Committee will be meeting in our offices at 1120 Connecticut Avenue, N.W. The Building (Bender) has another entrance on L Street, near 18th. Our board room is on the 7th floor.

The Committee will look forward, as usual, to meeting with Chairman Burns at 4:00 p.m. on Tuesday, July 25, 1972.

Sincerely yours,

Hampton Rabon

Hampton Rabon
Federal Administrative Adviser

Called - Mr. Daane will attend.
CM

Enclosure
HAR:fv

AGENDA
GOVERNMENT BORROWING COMMITTEE
The American Bankers Association
July 25 - 26, 1972

Tuesday, July 25, 1972

9:00 a.m.	Committee meets in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. (7th Floor) 1/
10:00 a.m.	Committee to review slides in Room 2334 of the Treasury building 2/
11:00 a.m.	Committee to meet with Under Secretary for Monetary Affairs, Mr. Paul Volcker in Room 4426 of the Treasury building for backgrounding 3/
12:30 p.m.	Refreshments
1:00 p.m.	Luncheon Cabinet and Pan American Rooms, Mayflower Hotel
2:30 p.m.	Committee to reconvene in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. (7th Floor) 1/ Chairman Burns (Federal Reserve Board) will meet with the Committee at 4:00 p.m.
6:30 p.m.	Cocktails
7:00 p.m.	Dinner Anderson Room, Metropolitan Club, 17th and H Streets, N.W. (Courtesy of Chairman Surdam)

Wednesday, July 26, 1972

9:15 a.m.	Committee to reconvene in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. 1/
10:00 a.m.	Committee to report its recommendations to Secretary Shultz and the Treasury Financing Group in Room 4426 of the Treasury building

1/ This location is on Connecticut Avenue across from the Mayflower Hotel

2/ Treasury will use the regular projection room on the second floor on southwest corner of building (corner facing the Mall and the White House)

3/ Conference with under Secretary for Monetary Affairs and report to the Secretary of the Treasury will be held in the 4th floor Conference Room on west side of building near the center elevators opposite the White House.

To: Chairman Burns July 26, 1972

From: J. Dewey Daane

I am attaching the recommendations of the ABA Government Borrowing Committee for this financing.

The SIA recommendations placed the same or even greater emphasis on the need for debt extension. Specifically, the SIA recommended the following exchange offering:

1. A 6% Treasury Note maturing August 15, 1976, with a 6% coupon priced at par.

2. A 6-1/4% Treasury Note at par, and

3. A 6-3/8% Treasury Bond of August 15, 1984, at 6-3/8% coupon discounted to yield 6.45.

The total of the public holders in the SIA package would be $16.6 billion. The SIA would offer the holders of the August, September, December 1972 maturities all three of the above issues, and offer the holders of the August and November 1974 maturities the two longer prongs.

I think the offering of the SIA would be appropriate. It would accomplish maximum debt extension at this time, and I do not think it would disturb the market. The Treasury seems to be leaning the same way, although Volcker is intrigued with the idea of the long bond a la ABA. I am too, but would reserve it for later on and take the SIA package or some variant.

GOVERNMENT BORROWING COMMITTEE
The American Bankers Association

Report to the Secretary of the Treasury
The Honorable George P. Shultz

Washington, D. C.

July 26, 1972

In response to your request, the Committee was pleased to consider the refinancing of the $1.5 billion 4% Treasury bonds and $2.6 billion Treasury notes maturing August 15, 1972, of which $2.3 billion are publicly held. The Committee also considered the advisability of including the refinancing of the $2.0 billion 2-1/2% bonds maturing September 15, 1972, as well as other nearby maturities.

The Committee noted the unusual opportunity provided by the relative stability of the current market for continuing the program of debt lengthening which the Treasury has pursued from time to time and which this Committee has consistently recommended. In addition, in contemplation of the probable enactment of legislation initiating a Federal Financing Bank, the Committee recognized the particular importance of placing new Treasury issues as bench marks in the longer-term market.

The Committee emphasizes the need, with respect to the international position of the United States, of employing debt restructuring to reinforce other efforts toward a lessening of inflationary pressures while at the same time maintaining a reasonably competitive relationship between interest rates in the United States and those abroad.

Against the above background, the Committee recommends that the Treasury utilize this opportunity to improve the structure of the public debt through the following exchange offerings:

1. A 5-7/8% Treasury note maturing February 15, 1976, to be priced at a discount which would provide a yield of about 6%.
2. A reopening of the outstanding 6-3/8% Treasury bond maturing February 15, 1982, attractively priced at a level not higher than par.

The Committee recommends that the foregoing securities be made available on an exchange basis to the holders of the issues maturing August 15, September 15, November 15, and December 15, 1972, as well as to the holders of the 4-7/8% and 4-3/4% notes maturing February and May 1973 respectively. The aggregate outstanding of these issues is $18.9 billion of which $12.3 billion is publicly held.

The Committee recommends that the Treasury at the same time announce its intention to offer short-term securities in the near future to deal with impending cash needs and the August 15 attrition. It is difficult (in a volatile money market climate and with shifting Treasury cash needs) to recommend the amount and term of the short-term offering at this time. These factors must be determined by the Treasury in the market environment as it develops following the completion of the August refunding.

Because of the importance of reestablishing an active and viable market for long-term Treasury debt instruments, the Committee recommends that the exchange offering be followed by an early sale of a modest amount of 20- to 25-year bonds, preferably through the auction technique. This would be a further extension of a technique which has been successfully used by the Treasury, most recently in the May 1972 offering of the 6-3/8% Treasury bonds maturing in 1982. The announcement of this offering should be made after the market has absorbed the exchange offering of notes and bonds described above.

The background briefing by the Treasury staff was most helpful to the Committee. We hope that our recommendations will be useful to you and your associates in reaching your decision.

GOVERNMENT RELATIONS
THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036
EXECUTIVE DIRECTOR
CHARLES R. McNEILL
202/467-4097

December 18, 1972

Mr. John C. Burton
Chief Accountant
Securities and Exchange Commission
500 North Capitol Street
Washington, D. C. 20549

Dear Mr. Burton:

The American Bankers Association endorses the principle of the Securities and Exchange Commission's new Regulation S-X Rule 5-02-1 to provide the investor more financial information on corporations in which he holds stock or in which he may invest.

The Commission quite correctly recognizes the difficulties involved in accurately disclosing compensating balances which is required as a part of the new Rule. We commend the staff for proposing an Accounting Series Release to provide guidance on this subject, and we appreciate the opportunity to comment on it.

Having carefully reviewed the draft guidelines, we can appreciate the problems which gave rise to the broad general approach that was followed. We believe, however, more certainty is essential and hope the attached memorandum will be of assistance to you in identifying some requirements in need of greater clarity. In addition, we offer our services at any time to meet with the staff to discuss the draft guidelines or other proposals in this area.

The information that will be provided the investor depends on how specifically and precisely the requirements of the Rule and release can be defined. If requirements are vague or imprecise, the company will have difficulty deciding what should be disclosed and how. This will reduce the value of the financial statement, possibly raising rather than answering questions in the mind of the investor.

Further, vague and imprecise disclosure requirements would be difficult to reconcile with the absolute liability imposed by Section 11 of the 1933 Securities Act and the liability imposed by the 1934 Exchange Act for the filing of misstatements of material information.

The Association remains concerned that even if all suggested changes are made, the corporation and its auditor still face an almost monumental task in translating to the investor through segregation and footnote disclosure a picture which is factual, understandable, and not subject to misinterpretation.

One of the principal problems in presenting an accurate picture is that a corporation usually allocates its needed liquidity (minimum operating balance and cash reserve) among various banks to meet their compensating balance requirements. Such requirements are almost always on an average-balance basis so the corporation can freely draw on any of these accounts to meet its cash needs. Consequently, compensating balance agreements often have no impact on credit costs, and the funds are, in fact, not subject to any usage or withdrawal restrictions even on a long-term basis.

The guidelines relating to compensating balances are important to the investing public. We believe additional time and study would lead to the preparation of really workable guidelines that would result in effective disclosure. Consequently we suggest a postponement of the effective date of the new Rule for three to six months. This time would give both the staff and interested parties the opportunity to develop guideline proposals that would better serve the public interest.

Sincerely yours,

Charles R. McNeill
Executive Director

December 18, 1972

Comments of
The American Bankers Association
on the draft Accounting Series Release
regarding compensating balances

Reasons for Requirement

The American Bankers Association is greatly concerned and disagrees with the assumption of both Rule 5-02-1 and the draft guidelines that a compensating balance is always a restriction on usage or withdrawal of funds. A compensating balance arrangement may be such a restriction if it is legally binding and it requires the holding of a noninterest-bearing certificate of deposit during the term of a loan or if it requires the maintenance of a specific minimum balance or specific average balance expressly subject to sanctions or penalties in the event the borrower fails to meet the requirement. Otherwise, a compensating balance arrangement or understanding is not in law or, in fact, a usage or withdrawal restriction. To say it is goes beyond, if not contrary to, the facts. The law and custom applicable over scores of years to the banking business cannot be hidden or obscured by an argument that the Rule and the proposed guidelines themselves add the necessary substance or sustenance to any compensating balance to make it a usage restriction. (See Commissioner v. Acker, 361 U.S. 87 and U.S. v. Calamaro, 354 U.S. 351 regarding efforts to create facts by regulatory fiat.)

Definitions

The guidelines should make it clear that a compensating balance requires an agreement or a meeting of the minds between the corporation and the bank as to its terms, and the agreement may be oral or in writing. We urge the definition of compensating balance on page 3 be so amended.

Form of Disclosure

Segregation, if appropriate in any case, would seem to be so only if the compensating balance arrangement is in writing and requires the holding of a noninterest-bearing certificate of deposit during the term of a loan or requires the maintenance of a specific minimum balance expressly subject to sanctions or penalties should the borrower fail to meet the balance requirements such as:

(a) A right in the bank to accelerate the maturity of any one or more outstanding loans.

(b) A right to cancel a firm agreement, if such there be, to extend credit.

(c) A right in the bank to increase the interest rate on any one or more outstanding loans, or to increase the interest rate on new loans made under the line of credit.

Should a compensating balance agreement be in writing and require the maintenance of a specific average balance expressly subject to sanctions or penalties, it would, nevertheless, seem inappropriate to segregate because the balance required to meet the agreement cannot be determined for any one day. In such circumstances a footnote disclosure should be sufficient. Similarly, footnote disclosure should be sufficient for all other compensating balance arrangements in writing; that is, those without sanctions or penalties.

For compensating balance arrangements or understandings which are not in writing, footnote disclosure should be sufficient, regardless of their terms. Compliance rests primarily on a corporation's concern for future availability of funds, and the guidelines already recognize that, if such concern is the basis for maintaining totally discretionary balances they are not reportable.

With regard to materiality of compensating balances, the Association urges that cash and its equivalent as shown in the financial statement be considered as the reference point. We hope that full consideration will be given to the above suggestions.

Measurement Problems

Turning to the disclosures which must be made, measurement or quantification of a compensating balance at best is going to be difficult and imprecise. The guidelines set out to obtain uniformity but seem to add to the problem rather than reduce it.

1. Float

The question of float and its relative impact on the companies' book balance and the banks' ledger balance both as to outstanding checks and uncollected deposits raises many complexities. Uncollected deposits are of no economic use to either the bank or the company; therefore they should be disregarded. We urged an amendment which would make it clear that the float which results from uncollected deposits need not be considered.

2. Compensation for Other Bank Services

Under the guidelines, balances maintained to compensate for bank services are not to be included in the disclosed compensating balance. However, if a bank should allow such balance to also serve in connection with financing, then it would have to be disclosed. This would be inequitable to the latter corporation. It would be required to segregate or footnote its cash or cash items when they are subject to no greater, and possibly less, restraint than the first corporation's. Also, the latter corporation and its auditors would be subjected to the additional liability that accompanies disclosure.

3. Minimum Operating Balance

The guideline provision on minimum operating balances also seems unfair. The corporation should be allowed to subtract this balance plus its cash reserve from its compensating balances because, whether or not the corporation has a credit line or a loan, the minimum operating balance and cash reserve would be on deposit. Where a balance serves an operational purpose for the company, it is difficult to characterize its simultaneous use as a compensating balance for credit as anything else but secondary.

If subtraction is not allowed, then the corporation should be allowed to comment in the footnote on the impact of its minimum operating balance and cash reserve on its compensating balances.

The guidelines would require that the impact of compensating balances on the effective cost of bank financing be reflected. The Association believes the requirements for disclosure where there is dual use and the disregard of minimum operating balances and cash reserves would distort the effective cost picture and make it appear that the corporation is paying more for its credit than a fair interpretation would determine.

All of the aforementioned problems of measurement coupled with the fact that most corporations have credit and deposit relationships with more than one bank cause the difficulties and complexities to multiply. Therefore we strongly urge consideration of the suggestions we have made.

Responsibilities

The last sentence of the guidelines suggests that the company request from its banks a reply to a confirmation which sets forth the bases of their mutual understanding on compensating balances. We suggest this sentence be struck. The first two sentences of this paragraph assign the responsibilities under the Rule and guidelines to the company and its auditor, but the last sentence might be construed in a civil suit, if there is a misstatement of a compensating balance, to put the bank in the same position as the company.

D R A F T 11/24/72

For RELEASE

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

ACCOUNTING SERIES
Release No.

Compensating Balances

Introduction

One of the recent amendments to Regulation S-X, "Form and Content of Financial Statements" (Accounting Series Release No. 125), called for the expansion of Rule 5-02-1, which relates to cash and cash items. Since its issuance questions have been asked about the nature of expected compensating balance disclosure. The purpose of this release is to provide guidance on this topic.

Reasons for Requirement

Compensating balances are a significant element in lending, banking and liquidity decisions by management which are reflected in the financial statements of a firm. Specifically, (1) compensating balances are an integral part of arrangements for bank financing and therefore are a factor in measuring the effective cost of financing; (2) because such balances in effect (if not legally) limit the usage of reported cash balances on an intermediate or long-term basis, they have different liquidity characteristics than balances not subject to such requirements; and (3) an appraisal of management's financial policies is assisted by an understanding of compensating balance arrangements.

Unfortunately, despite the importance of compensating balances and despite the general recognition in the financial community that they exist, disclosure of such arrangements in financial statements has been extremely infrequent. When disclosure has occurred, very few details have been given so that statement users are unable to deal analytically with the subject. Lack of disclosure has been justified on the grounds that such arrangements were generally unwritten, informal and not subject to precise quantification. None of these reasons are sufficient to support a policy of nondisclosure of a phenomenon which is recognized to be both real and significant. They do, however, support the need for disclosure guidelines so that reasonably uniform and understood standards can be applied in determining the form of disclosure that should take place.

Requirement

The formal requirement is now included in Regulation S-X, Rule 5-02-1, which reads as follows:

> "State separately (a) cash on hand and demand deposits; (b) funds subject to repayment on call or immediately after the date of the balance sheet required to be filed; (c) time deposits; and (d) other funds, the amounts of which are known to be subject to withdrawal or usage restrictions, e.g., as compensating balances or special purpose funds. The general terms and nature of such repayment provisions and withdrawal or usage restrictions shall be described in a note referred to herein. Funds subject to withdrawal or usage restrictions shall not be included under this caption unless they are reasonably expected to become available for current operations within one year." [Emphasis added.]

Definitions

For purposes of this requirement, a compensating balance is defined as any demand deposit (or any time deposit or certificate of deposit on which less than the market rate of interest is paid) carried by a corporation which either formally or informally is related to current borrowing arrangements by the corporation (or any other party) with a lending institution. Such arrangements would include both current borrowings and credit availability at the present time or in the future. Balances carried by a corporation at its own discretion with the expectation of assuring future availability of funds would not be included.

Form of Disclosure

The format for disclosure cannot be spelled out with precision since it will vary according to the factual situation involved. The rule calls for segregation on the face of the balance sheet, but there are many circumstances in which this will not be the most meaningful presentation and footnote disclosure would be preferred.

In general, when the terms of the compensating balance arrangement are formal and are described in connection with the terms of a particular lending agreement, balance sheet segregation is appropriate. Examples of this would include situations where a certificate of deposit must be held while a loan is outstanding or where a minimum balance must be maintained at all times while credit is extended or available. The fact that balances are legally subject to withdrawal would not be the determining factor in deciding what disclosure practice should be followed. An arrangement, however, where the balance required was expressed as an average might lead to footnote disclosure since the balance sheet date cash balance might bear no relationship to the requirement. Footnote disclosure should generally be sufficient when arrangements are informal.

The extent of disclosure required will also depend on the circumstances. In most cases, the terms of the arrangement should be described and the amount of the compensating balance disclosed. This may be expressed as an average balance and may be presented as a range if a single figure does not accurately reflect the situation. A general statement that such arrangements exist will not be satisfactory.

If arrangements during the year were materially different than the situation at year end, that fact should be disclosed. The impact of the compensating balance on the effective cost of bank financing should be reflected. If the compensating balance is maintained for the benefit of an affiliate, an officer, director or employee, or a third party, that fact should be disclosed, although no such mention in regard to affiliates is required in parent company only statements if the affiliate is included in the consolidated financial statements of the reporting entity.

Where a company is not in compliance with a compensating balance arrangement, that fact should generally be disclosed. If the arrangement is informal, however, and the bank has given no indication of applying sanctions to enforce it, disclosure of lack of compliance would ordinarily not be necessary.

In determining the materiality of compensating balances, the reference point should generally be the cash balance shown on the financial statements. Except in unusual circumstances, if compensating balances in the aggregate amount to 10 percent or more of that figure they should be considered material.

Measurement Problems

A number of problems arise in the process of measuring the amount of compensating balances. It is recognized that precision of measurement may not be practical, but that fact should not limit the disclosure of material arrangements. Since several of the problems of measurement occur frequently, and since it is desirable that they be similarly solved to assure uniformity of practice among companies, the following guidelines have been developed to assist registrants. It is recognized that every situation cannot be anticipated, and the need for judgment on the part of registrants and their auditors cannot and should not be avoided.

1. Float.--The balance shown on the bank's ledgers and the company's books will differ due to delays in presentment of checks and deposits in transit. The bank ledger balance is generally higher than the book balance. Since compensating balance arrangements are related to the bank's ledger balance, any "float" which regularly results should be deducted (or added) in computing the amount of compensating balance to be disclosed. Thus, the disclosed amount will relate to the book figure reported in the financial statements.
2. Compensation for other bank services.--Balances are maintained not only in connection with financing arrangements but also to compensate the bank for its account handling function and in some cases to pay for other services such as lock boxes and account reconcilement. Balances maintained for these purposes should not be included in the disclosed compensating balances. If a bank allows balances to serve both purposes, the balances should be considered as supporting financing for the purposes of this requirement.

3. Minimum operating balance.--All corporations require some minimum amount of cash on which to operate. The amount will depend upon the extent of seasonal and random fluctuation in short term cash demand as well as management judgment regarding necessary safety factors. It has been argued that this minimum operating balance should be subtracted from compensating balances since the maintenance of such a balance has no incremental cost to the borrower. For purposes of compensating balance disclosure requirements, such a subtraction is not appropriate. Not only is the measurement of such minimum operating balances highly subjective, but the concept of subtraction implies that the compensating balance is of secondary importance which is by no means apparent. It would be equally reasonable to say that operating funds are free of cost because compensating balances must be maintained.

4. Prior periods.--An attempt should be made to disclose compensating balances and their effect in the financial statements of the prior period(s) presented in comparative form. There will be some cases in which the determination of the existence of a compensating balance arrangement in a preceding period may not be possible; in such cases, that fact should be disclosed.

Responsibilities

The registrant is responsible for computing the effect of its compensating balance agreement(s) and and preparing the related financial statement disclosure. The auditor has the responsibility of satisfying himself that the disclosure is adequate and fairly reflects the arrangements.

When such arrangements exist, the computation would be facilitated and more readily substantiated if the borrower requests the lender to reply to a confirmation which sets forth the bases of their mutual understanding.

FEDERAL AGENCY RELATIONS

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036

FEDERAL ADMINISTRATIVE ADVISER
HAMPTON A. RABON
202/467-4200

December 21, 1972

Mrs. Catherine Mallardi
Secretary to Chairman Burns
Board of Governors of the
Federal Reserve System
Washington, D.C. 20551

Dear Mrs. Mallardi:

There is enclosed for your information a copy of the agenda for the next meeting of the Government Borrowing Committee. Please call to Chairman Burns' attention that the Committee will be meeting in our offices at 1120 Connecticut Avenue, N.W. The building (Bender) has another entrance on L Street, near 18th. Our board room is on the 7th floor.

The Committee will look forward, as usual, to meeting with Chairman Burns at 4:00 p.m. on Tuesday, January 30, 1973.

I am also enclosing for Chairman Burns' information a list of the members of the Government Borrowing Committee.

Sincerely yours,

Hampton A. Rabon

Hampton A. Rabon

Called
1/2/73
am

Encl.
HAR:fmm

AGENDA
GOVERNMENT BORROWING COMMITTEE
The American Bankers Association
January 30 - 31, 1973

Tuesday, January 30, 1973

9:00 a.m.	Committee meets in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. (7th Floor) 1/
10:00 a.m.	Committee to review slides in Room 2334 of the Treasury building 2/
11:00 a.m.	Committee to meet with Under Secretary for Monetary Affairs, Mr. Paul Volcker in Room 4426 of the Treasury building for backgrounding. 3/
12:30 p.m. 1:00 p.m.	Refreshments Luncheon Cabinet & Pan American Rooms, Mayflower Hotel
2:30 p.m.	Committee to reconvene in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. (7th Floor) 1/ Chairman Burns (Federal Reserve Board) will meet with the Committee at 4:00 p.m.
6:30 p.m. 7:00 p.m.	Cocktails Dinner Chinese Room, Mayflower Hotel

Wednesday, January 31, 1973

9:15 a.m.	Committee to reconvene in Board Room of The American Bankers Association 1120 Connecticut Avenue, N.W. 1/
10:00 a.m.	Committee to report its recommendations to Secretary Shultz and the Treasury Financing Group in Room 4426 of the Treasury building 3/

1/ This location is on Connecticut Avenue across from the Mayflower Hotel

2/ Treasury will use the regular projection room on the second floor on southwest corner of building (corner facing the Mall and the White House)

3/ Conference with under Secretary for Monetary Affairs and report to the Secretary of the Treasury will be held in the 4th floor Conference Room on west side of building near the center elevators opposite the White House.

GOVERNMENT BORROWING COMMITTEE

Chairman: Robert M. Surdam
Chairman and Chief Executive Officer
National Bank of Detroit
RPA Box 116
Detroit, Michigan 48232

Alfred Brittain III
President
Bankers Trust Company
P. O. Box 318, Church Street Station
New York, New York 10015

Robert E. Bryans
President
First National Bank of Casper
P. O. Box 40
Casper, Wyoming 82601

Willard C. Butcher
President
The Chase Manhattan Bank, N.A.
One Chase Manhattan Plaza
New York, New York 10015

A. W. Clausen
President and Chief Executive Officer
Bank of America, N. T. & S. A.
P. O. Box 37000
San Francisco, California 94137

Richard P. Cooley
President and Chief Executive Officer
Wells Fargo Bank, N.A.
464 California Street
San Francisco, California 94120

Gaylord Freeman
Chairman of the Board
The First National Bank
P. O. Box A
Chicago, Illinois 60670

Robert J. Gaddy
Chairman and President
Tower Grove Bank and Trust Company
3134 S. Grand Boulevard
St. Louis, Missouri 63118

Donald M. Graham
Chairman and Chief Executive Officer
Continental Illinois National Bank
and Trust Company
Lock Box H
Chicago, Illinois 60690

William M. Jenkins
Chairman
Seattle-First National Bank
P. O. Box 3586
Seattle, Washington 98124

Ben F. Love
Chairman and Chief Executive Officer
Texas Commerce Bank, N.A.
P. O. Box 2558
Houston, Texas 77001

John A. Moorhead
Chairman and Chief Executive Officer
Northwestern National Bank
Seventh and Marquette
Minneapolis, Minnesota 55440

John A. Oulliber
Chairman of the Board
First National Bank of Commerce
P. O. Box 60279
New Orleans, Louisiana 70160

Howard C. Petersen
Chairman of the Board
The Fidelity Bank
Broad and Walnut Streets
Philadelphia, Pennsylvania 19109

Robert V. Roosa
Partner
Brown Brothers Harriman & Company
59 Wall Street
New York, New York 10005

Thomas I. Storrs
President
North Carolina National Bank
P.O. Box 120
Charlotte, North Carolina 28201

D. Thomas Trigg
Chairman and Chief Executive Officer
National Shawmut Bank of Boston
P.O. Box 2176
Boston, Massachusetts 02106

Walter B. Wriston
Chairman
First National City Bank
399 Park Avenue
New York, New York 10022

ADVISORY MEMBERS

John J. Larkin
Senior Vice President
First National City Bank
P.O. Box 850, Wall Street Station
New York, New York 10015

Donald C. Miller
Executive Vice President
Continental Illinois National Bank
and Trust Company
Lock Box H
Chicago, Illinois 60690

Leland S. Prussia, Jr.
Senior Vice President
Bank of America, N.T. & S.A.
P.O. Box 37003
San Francisco, California 94137

James R. Sheridan
Senior Vice President
North Carolina National Bank
P.O. Box 120
Charlotte, North Carolina 28201

EX OFFICIO

Eugene H. Adams
President
The First National Bank
P.O. Box 5808, Terminal Annex
Denver, Colorado 80217
(President, ABA)

Willis W. Alexander
Executive Vice President
The American Bankers Association
1120 Connecticut Avenue, N.W.
Washington, D.C. 20036

Rex J. Morthland
Chairman of the Board
The Peoples Bank and Trust Company
of Selma
P.O. Box 799
Selma, Alabama 36701
(President-Elect, ABA)

Douglas R. Smith
President and Chairman of the Board
National Savings & Trust Company
Washington, D.C. 20005
(Chairman, ABA Savings Bond Committee)

Allen P. Stults
Chairman and Chief Executive Officer
American National Bank & Trust Company
P.O. Box DD
Chicago, Illinois 60690
(Past President, ABA)

Hampton A. Rabon
A.B.A. Director (202/467-4200)

January 1973

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036

FEDERAL ADMINISTRATIVE ADVISER
WILLIAM T. HEFFELFINGER, CONSULTANT
202/467-4200

October 5, 1971

Mrs. Catherine Mallardi
Secretary to Chairman Burns
Board of Governors of the
Federal Reserve System
Washington, D. C. 20551

Dear Mrs. Mallardi:

There is enclosed a copy of the agenda for the October 26-27, 1971, meeting of the Government Borrowing Committee. You will note we will expect Governor Burns at 4:00 p.m.

Sincerely,

W. T. Heffelfinger

WTH:TB

Enclosure

AGENDA
GOVERNMENT BORROWING COMMITTEE
THE AMERICAN BANKERS ASSOCIATION
October 26-27, 1971

Tuesday, October 26, 1971

9:15 a.m.	NOTE	Committee meets in Board Room of The American Bankers Association 1120 Connecticut Avenue, N. W. (7th Floor) 2/
10:00 a.m.		Committee to review slides in Room 2334 of the Treasury 1/
11:00 a.m.		Committee to meet with Under Secretary for Monetary Affairs, Mr. Paul Volcker, in Room 4426 of the Treasury Department for backgrounding 1/
12:30 p.m.		Refreshments - Mayflower Hotel Maryland Room (2nd Floor)
1:00 p.m.		Luncheon - Mayflower Hotel Pennsylvania Room (2nd Floor)
2:30 p.m.		Committee to reconvene in Board Room of The American Bankers Association Chairman Burns (Federal Reserve Board) will meet with the Committee at 4:00 p.m.
6:30 p.m.		Cocktails - Maryland Room
7:00 p.m.		Dinner - Pennsylvania Room Mayflower Hotel

Wednesday, October 27, 1971

8:30 a.m.	Committee to reconvene in Board Room of The American Bankers Association, 1120 Connecticut Avenue, N. W.
9:15 a.m.	Committee to report its recommendations to Secretary Connally and the Treasury Financing Group in Room 4426 of the Treasury Department 1/

1/ Treasury will use the regular projection room on the second floor on southwest corner of building (corner facing the Mall and the White House). Conference with Under Secretary for Monetary Affairs and report to the Secretary of the Treasury will be held in the 4th floor Conference Room on west side of building near the center elevators opposite the White House.

2/ This location is on Connecticut Avenue across from the Mayflower Hotel.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date ~~April 30~~, April 29, 1971

To Chairman Burns

From Andrew W. Hogwood, Jr.

Subject: Meeting of the International Banking Committee of the A.B.A.--May 3, 1971

On Monday, May 3, 1971 at 4:30 p.m., there will be a meeting in the Board Room of the International Banking Committee of The American Bankers Association with available members of the Board and certain staff. You are invited to attend this meeting and we would appreciate your letting us know (Ext. 3326) whether or not you plan to attend.

There is attached, for your information, a public relations release from the A.B.A. concerning the International Banking Committee, as well as a separate list of the Committee members.

Attachments

THE AMERICAN BANKERS ASSOCIATION

PUBLIC RELATIONS DEPARTMENT • 815 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20006

CONTACT: Pat Kane
(202) 298-9090

RELEASE FOR A.M.'s
Friday, February 26, 1971

A.B.A. NAMES INTERNATIONAL BANKING COMMITTEE

WASHINGTON, D.C., Feb. 26 -- The American Bankers Association has formed an International Banking Committee to help its member banks deal with increasing activity in world-wide financial matters. The 12-member committee will be chaired by Stephen C. Eyre, senior vice president of the First National City Bank, New York.

Announcing formation of the committee, A.B.A. President Clifford C. Sommer said that such a committee is needed because increasing numbers of American banks are becoming "substantially and significantly involved in international banking."

"There is a definite need for the Association to have a standing committee of experienced bankers who can speak out on issues that importantly affect the ability of the banks to operate in this field," Sommer said. "The committee will be a small working group dealing with the ever-increasing problems affecting today's international scene, particularly in the political and legislative spheres."

The committee will be responsible for the operations of the new International Banking School, planned for August 1-14 at the University of Colorado, Boulder.

Members of the International Banking Committee are:

Arthur Bardenhagen Irving Trust Company, New York; Joseph A. Carrera, Bank of America, San Francisco; Roger N. Christiansen, Seattle-First National Bank; Richard H. Cummings, National Bank of Detroit; Larry V. DeBell, First

(More)

National Bank, Denver; Robert C. Howard, First City National Bank, Houston; Alfred F. Miossi, Continental Illinois National Bank and Trust Company, Chicago; Charles H. Murray, Mercantile Trust Company, St. Louis; James W. Oliphant Jr., The Merchants National Bank, Mobile; Robert B. Palmer, Philadelphia National Bank and I. Barry Thompson, Central National Bank, Cleveland.

Roger B. Hawkins of the A.B.A. staff will serve as director of the committee.

#

(Revised attachment to memo of April 29, 1971 on meeting of the International Banking Committee of the A.B.A.)

INTERNATIONAL BANKING COMMITTEE
OF
AMERICAN BANKERS ASSOCIATION

Chairman

Stephen C. Eyre
Senior Vice President
First National City Bank
New York City

Arthur Bardenhagen
Vice President
International Division
Irving Trust Company
New York City

Joseph A. Carrera
Senior Vice President
International
Bank of America
San Francisco

Roger N. Christiansen
Vice President
Seattle-First National Bank
Seattle

Richard H. Cummings
Senior Vice President
National Bank of Detroit
Detroit

Larry V. DeBelle
Senior Vice President and
Director of Personnel
First National Bank
Denver

Robert C. Howard
Senior Vice President
First City National Bank
Houston

Alfred F. Miossi
Senior Vice President
International Banking Department
Continental Illinois National
Bank and Trust Company
Chicago

Charles H. Murray
Vice President
International Banking
Mercantile Trust Company
St. Louis

James W. Oliphant, Jr.
Vice President
Foreign Department
The Merchants National Bank
Mobile

Robert B. Palmer
Vice President and Manager
International Banking Division
Philadelphia National Bank
Philadelphia

I. Barry Thompson
Vice President and Manager
International Division
Central National Bank
Cleveland

Roger B. Hawkins of the ABA staff will serve as director of the committee.

BH-2202

THE AMERICAN BANKERS ASSOCIATION 815 CONNECTICUT AVENUE, N. W., WASHINGTON, D. C. 20006

WILLIS W. ALEXANDER
EXECUTIVE VICE PRESIDENT

February 11, 1971

Dear Dr. Burns,

On behalf of the officers of The American Bankers Association, it is my pleasure to invite you to attend the annual Spring Meeting of our Executive Council at The Greenbrier, White Sulphur Springs, West Virginia, on April 21 - 24, 1971.

An official announcement of this meeting, together with an application for hotel accommodations, is enclosed.

Please let me know if you will be able to attend our meeting.

Sincerely yours,

Willis Alexander

The Honorable Arthur F. Burns, Chairman
Board of Governors of the Federal Reserve System
21st Street and Constitution Avenue, N.W.
Washington, D. C. 20551

"No" called am

FROM ______________________________________
PLEASE TYPE OR PRINT

TITLE ______________________________________

BANK ______________________________________

CITY ____________________ STATE ______________

I ☐ do ☐ do not plan to attend the Spring Meeting.

My wife ☐ will ☐ will not accompany me.

My first name as it
should appear on badge: ______________________

Wife's first name as it
should appear on badge: ______________________

Please check if you think your wife will
participate in:

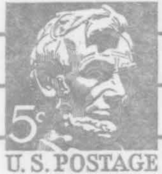
☐ Ladies' Golf Tournament

☐ Ladies' Putting Contest

☐ Ladies' Bridge and Canasta

* * * * * *

In order for us to print special badges and include names in the registration list, this card must be returned prior to March 15, 1971.



Mr. Robert Cotton

The American Bankers Association

1120 Connecticut Avenue, N.W.

Washington, D. C. 20036

THE AMERICAN BANKERS ASSOCIATION 1120 CONNECTICUT AVENUE, N.W., WASHINGTON, D.C. 20036

WILLIS W. ALEXANDER
EXECUTIVE VICE PRESIDENT

February 11, 1971

Called
4-26
OM

ANNOUNCEMENT OF THE SPRING MEETING OF THE

A.B.A. EXECUTIVE COUNCIL AND OTHER DESIGNATED COMMITTEES

This is the official notice of the Spring Meeting of the Executive Council and other designated committees of The American Bankers Association which will be held at The Greenbrier, White Sulphur Springs, West Virginia, Wednesday, April 21 through Saturday, April 24. Since this is a closed meeting, notice is being sent to you as a member of the Executive Council, Administrative Committee, Management Committee, or one of the following groups which will be meeting during the Spring Meeting:

- Banking Education Committee
- Credit Policy Committee
- Economic Policy Committee
- Federal Legislative Committee
- Foundation for Education in Economics - Board of Trustees
- MAPS Planning Committee
- Marketing/Savings Division Executive Committee
- National Bank Division Executive Committee
- Organization Committee - Regional Vice Presidents
- Retirement Committee
- State Association Section
- State Bank Division Executive Committee
- State Legislative Committee
- Steering Committee for Strengthening State Banking Law and Supervision
- Task Force on A.B.A. Organization
- Trust Division Executive Committee
- Urban Affairs Committee

The Spring Meeting begins officially on Wednesday, April 21. The committees listed above, except for the Federal Legislative Committee, will meet in afternoon sessions on Wednesday and/or Thursday. You will receive a special notification from the staff directors of your committees as to the time and place if you are expected to attend any of these meetings.

The Federal Legislative Committee will meet in all day session on Friday, April 23. Three sessions of the Executive Council will be held on the mornings of Wednesday, Thursday, and Saturday, April 21, 22 and 24. Everyone at the Spring Meeting is expected to attend both the Executive Council and the Federal Legislative Committee meetings.

Hotel Reservations

Your hotel reservation should be made directly with the hotel as soon as possible, but not later than March 15, on the enclosed Application for Hotel Accommodations. The daily rates at The Greenbrier for the meeting are listed on this form. If you are willing to share a twin-bedded room with some other member, it will be appreciated by the hotel. It is the hotel's policy to refrain from arbitrarily assigning guests to share a room.

Hotel Reservations (continued)

We regret that it is necessary to ask you not to invite family or guests to accompany you to the Spring Meeting if they require a separate bedroom, since our Spring Meeting taxes the capacity of The Greenbrier to house those who are eligible to attend. The hotel, of course, will place a cot in a bedroom for an immediate family member.

To permit utilization of all available space, it is of utmost importance that the hotel be informed immediately of cancellations and changes in arrival time and departure. Without such notification, availability of rooms on arrival cannot be assured. Reservations for rooms not occupied on dates specified are automatically cancelled.

Registration

The A.B.A. meeting registration desk will be located on the lower lobby floor of The Greenbrier near the hotel registration desk. You may pick up your badge and program at this desk.

Transportation

No special trains for the meeting will go to or return from White Sulphur Springs, nor are Pullman cars available. There is only coach service on the regular trains. Members coming from the West will have to go to St. Louis or Cincinnati to make train connections to White Sulphur Springs.

The new Greenbrier Valley Airport is now in operation. It is approximately fourteen miles from White Sulphur Springs and is serviced by Piedmont Airlines on a regular schedule. Airport Limousine service is provided to the hotel.

If the time schedule is not satisfactory, you can get to White Sulphur Springs by flying to Roanoke or Charleston. Air-taxis operated by Greenbrier Airlines fly during daylight hours between these airports and the hotel. (Mr. Charles O. Tate, Jr., P. O. Box G, White Sulphur Springs, West Virginia 24986, or phone 304-536-1234.)

The hotel does not send limousines or buses to meet planes at the Charleston Airport.

Those interested in ground transportation service from/to the Roanoke Airport should complete and return the enclosed questionnaire to the hotel with your request for hotel accommodations. Changes in flight arrivals cannot be accommodated by the hotel if received later than April 10.

It is suggested that those who do not plan to drive make their transportation reservations as soon as possible. Consult your local airline or railroad representative for full information.

Authorized Expense Allowance

Claims for expenses should be presented only by those who have attended all meetings of the Executive Council and meetings of committees of which claimant is a member. A maximum of five days will be allowed for those invited to attend the April 20 Administrative Committee meeting, four days for those who are members

Authorized Expense Allowance (continued)

of committees meeting on Wednesday, Thursday, and Friday, and a maximum of four days if a member only of the Executive Council.

All claims must be submitted within sixty days following the meeting in order to be honored. An expense report form will be included in the registration kit.

1. Transportation

   Direct route commercial airplane fare

   a. To Roanoke airport, plus hotel bus or small plane fare between Roanoke airport and White Sulphur Springs.

   b. To Charleston airport, plus small plane fare (no bus available) between Charleston Airport and White Sulphur Springs.

   c. Commercial airplane fare to Greenbrier Valley Airport.

   Direct route railroad fare. If Pullman space is used for part of the trip, this portion of the fare should not exceed the cost of roomette accommodations.

   Auto travel, which will be reimbursed as follows:

   a. For trips exceeding one day's driving (more than 500 miles) to or from destination -- an amount equal to the cost of either direct air or direct rail fare, whichever is lower.

   b. For trips not exceeding one day's driving (500 miles or less) to and from destination -- 10¢ per mile plus tolls.

   c. For driving to and from air or rail connections -- 10¢ per mile plus tolls and parking.

2. Allowance for expenses en route: $10 per day if by air or rail; $10 each way by auto.

3. Hotel allowance: $42.50 per day for hotel expenses not exceeding five days -- for members of Administrative Committee; four days -- for members of committees which are meeting at The Greenbrier; and four days -- if member only of Executive Council, provided members have attended meetings on all days claimed.

   Any other expenses are to be borne by the member himself. The Association will not reimburse him for any expenses incurred by or for his wife.

Meeting

Management Committee	Monday	Dinner
Administrative Committee	Tuesday	All Day
All other committees (except Federal Legislative)	Wednesday and Thursday	Afternoon
Federal Legislative Committee	Friday	All Day
Executive Council	Wednesday, Thursday, and Saturday	Morning

Entertainment

Ladies' Bridge and Canasta Party	Wednesday	Afternoon
Ladies' Putting Contest	Thursday	Afternoon
Men's Golf Tournament	Thursday	Afternoon
President's Reception	Thursday	Evening
Ladies' Golf Tournament	Friday	Morning

Men and women interested in playing tennis should register their names at the Tennis Club after arrival at the hotel. Games will be arranged by the Tennis Pro.

Please complete the enclosed and return as soon as possible.

We look forward to having you with us at The Greenbrier.

Cordially,

Will

Encl. (4)
Hotel Request
Transportation Request
Card
Ladies' Program

SPRING MEETING OF THE A.B.A. EXECUTIVE COUNCIL
AND OTHER DESIGNATED COMMITTEES
April 21-24, 1971

Transportation for Air Travelers

Transportation from and to Airports

FROM CHARLESTON: The Charleston Airport is too far away for the Hotel to conveniently provide ground transportation. However, Greenbrier Airlines air-taxi service has flights available during daylight hours between Charleston and The Greenbrier. Contact the Airline direct for reservations. (Greenbrier Airlines phone: 304-536-1234)

FROM ROANOKE: Greenbrier Airlines air-taxi service may also be used from and to the Roanoke Airport. The hotel will provide ground transportation from this Airport if the form below is returned with your application for hotel accommodations.

Because of the complexities involved in meeting persons arriving on various flights, the hotel must have at least ten days' notice should it become necessary to change your arrival time. The hotel will not be able to arrange to meet you if specific flight arrival information is not received by April 10.

FROM GREENBRIER VALLEY AIRPORT: This Airport is approximately fourteen miles from the Hotel. Airport limousine service is available to the hotel.

- -

(RETURN TO HOTEL IF GROUND TRANSPORTATION FROM AND TO ROANOKE AIRPORT IS DESIRED)

TO: Reservation Manager
The Greenbrier
White Sulphur Springs, West Virginia 24986

SPRING MEETING OF THE A.B.A. EXECUTIVE COUNCIL - April 21 - 24, 1971

I would be interested in ground transportation to The Greenbrier from the Roanoke Airport for myself ( ), my wife and myself ( ), arriving at Roanoke Airport on____________________, _______(a.m.)(p.m.). Flight #________ Airline________.

I ( ) We ( ) would also like ground transportation back to the Roanoke Airport on__________________________________. Flight #_______ Airline_______, leaving at___________________(a.m.) (p.m.).

NAME____ TITLE____________________
(Indicate "Mr. and Mrs." if wife is accompanying you)

BANK____ P. O. BOX __________________

CITY________________________ STATE___________________ ZIP CODE_______________

APPLICATION FOR HOTEL ACCOMMODATIONS

Please fill out this application form completely and mail, prior to March 15, to:

Reservation Manager
The Greenbrier
White Sulphur Springs, West Virginia 24986

I am authorized to and shall attend the Spring Meeting of the Executive Council of The American Bankers Association, April 21 – 24, 1971. Please enter my application for the following:

________ TWIN-BEDDED ROOM AND BATH FOR DOUBLE OCCUPANCY – $75. Will share with ☐ Wife ☐ Committeeman named below*

________ DOUBLE ROOM AND BATH FOR SINGLE OCCUPANCY – $50.

________ SINGLE ROOM AND BATH – $37.50 (Limited number available.)

________ SUITE (Parlor, Twin-Bedded Room and Bath) $________. Parlors are $20, and $30, in addition to the above twin-bedded room rate. (*See below.)

________ SUITE (Parlor, Two Twin-Bedded Rooms and Two Baths) $________. Parlors are $20, $30, and $35, in addition to the above rate per two twin-bedded rooms. (*See below.)

________ COTTAGE (A limited number available, accommodating from 4 to 8 persons.) Rates upon request. (*See below.)

Above rates are quoted on a daily basis, American Plan, including three meals.

Please indicate:

	DATE	BEFORE BREAKFAST	AFTER BREAKFAST	AFTER LUNCH	AFTER DINNER
ARRIVAL..........					
DEPARTURE....					

WILL ARRIVE BY: TRAIN ☐ AUTO ☐ PLANE ☐

*Above accommodations to be shared with: ________________________________
(Please indicate if arrival and departure times differ.) ________________________________
____

NAME________________________________ TITLE________________
(PLEASE PRINT OR TYPE. INDICATE "MR. & MRS." IF WIFE IS ACCOMPANYING YOU.)

BANK ________________________________

ADDRESS ________________________________ P.O. BOX NO.________________

CITY ________________________ STATE ____________ ZIP CODE ____________

________________________1971

INFORMATION FOR

LADIES ATTENDING SPRING MEETING

The Greenbrier
White Sulphur Springs, West Virginia

We invite you to join in any and all of the following events which are being planned for your stay at The Greenbrier during the Executive Council Spring Meeting, April 21 - 24, 1971.

WEDNESDAY, APRIL 21 — 2:30 p.m.

Bridge and Canasta Party - Plan to make up your own table or the Committee will be glad to assist you. Table and door prizes will be awarded.

THURSDAY, APRIL 22 — 9:30 a.m.

Golf Get Together - Stop in for a cup of coffee and talk over plans with the Ladies' Golf Committee.

2:30 p.m.

Putting Contest - Putting Green - don't forget, golf or walking shoes must be worn.

FRIDAY, APRIL 23 — 9:00 a.m.

Golf Tournament - The Ladies' Golf Committee will handle arrangements for the tournament. Upon your arrival in White Sulphur Springs, please furnish the information requested on the card in your folder and return to the A.B.A. Office, or bring it along to the Golf Get Together on Thursday morning.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 22, 1971

To Chairman Burns

Subject: Treasury May Financing

From Government Finance Section

On April 28, the Treasury will announce the details of its May financing operations. In addition to refunding $5.8 billion of publicly held maturing issues, the Treasury is expected to announce at least the dimensions of its near-term new money requirements. Board staff estimates indicate that these requirements may total $2 to $3 billion over and above any funds needed to cover attrition in the refinancing. Even with sizeable attrition, payment on the cash operation will probably not be needed until late May or early June. Thereafter, unless the critical April income tax payments (now in process of collection) fall short of estimates, or unless spending runs higher than presently anticipated in the closing weeks of the fiscal year, no further Treasury cash financing is likely to be needed until July.

In deciding the terms of its May financings the Treasury must consider its plans in the larger context of overall borrowing requirements during the rest of the calendar year. These requirements will be unusually heavy, representing in addition to the refunding of about $7.8 billion of publicly held maturing coupon issues the need to raise an expected $23 billion of new money.

Basic issue

The basic question facing the Treasury with regard to the upcoming May financing is whether it can afford to seek significant debt lengthening at this juncture, given the still fragile state of the economic recovery, balance of payments difficulties and the recent general weakness of note and bond markets. Understandably, the Treasury would like to take advantage of its new leeway to issue long-term debt as soon as the time is propitious. This desire stems both from the persistent shortening of the average maturity of the marketable debt in recent years and from the massive deficit financing job that lies ahead.

Against this essentially housekeeping desire for debt lengthening, however, one must balance the associated risks of encouraging further undesired shifts in the structure of interest rates. With note and bond yields having recently risen in response to the firming of business news and money market conditions, any offering of long-term debt at this time of heavy continuing corporate and municipal bond calendars would obviously risk an accentuation of the recent advance in long-term rates, with possible negative consequences for capital spending. At the same time, such debt funding would tend to exert downward pressure on Treasury bill rates, possibly reversing some of the recent narrowing of spreads between U. S. and foreign short-term rates, with consequent marginal detriment to U. S. balance of payments goals.

Alternative financing approaches

With the announcement of terms on the May refinancing only a week away, the range of ideas among debt management experts as to the appropriate Treasury strategy is unusually wide. To some extent this diversity appears to reflect differing judgements as to the degree of fragility still remaining in current market conditions, and the extent to which note and bond yields may already be reaching a new relatively stable equilibrium at their current higher levels. While virtually all experts recommend that the Treasury exercise considerable caution in undertaking debt extension at this time -- and hence have ruled out the idea of an advance refunding -- some still believe that there is leeway for lengthening, even beyond the seven year maturity range; whereas others would restrict new debt offerings entirely to relatively short maturities.

Because of the greater than usual diversity of opinion about the appropriate course for Treasury action, no market consensus has as yet crystallized on any particular refinancing approach. Among the various possibilities that have been suggested, the following are illustrative of the range of thinking.

(1) Among the experts seeking some modest use of the Treasury's new leeway to issue long-term debt, one suggested approach is a "rights-cash" strategy. Holders of the maturing May issues would be given the option to exchange into either a 10 to 12 year bond or a 3 to 5 year note. The bond would be priced with a view to limiting its size to about $750 million in order to minimize competitive pressures on other capital markets. The "rights" exchange would then be followed in the latter part of May with a cash auction of a short-term note designed to cover attrition in the refunding and (depending on the size of the attrition) to pick-up the bulk of the $2 to $3 billion of remaining net new money needs.[1/]

1/ A more cautious alternative, also designed to use the new Treasury leeway, would offer a 10-15 year bond and an 18-month note as exchange options in the refunding and later raise needed cash in the bill market.

(2) An alternative strategy at the opposite end of the opinion spectrum would limit the "rights" exchange to a single 21 month note and cover subsequent cash needs entirely in the Treasury bill market, presumably through a September or December tax bill supplemented by additions to regular bills (possibly another strip). The objective of this approach would be to minimize upward pressures on longer-term interest rates while tending to bolster short-term rates.

(3) A third strategy would fall between the first two. It would avoid new debt in both the over 7 year maturity range and the 6 to 7 year maturity range that has been regularly tapped in recent refinancings. It would offer some debt extension, however, through a two-pronged "rights" exchange -- say an 18 month note as an anchor issue and an intermediate term note around the 4 year maturity area. Sebsequent cash needs would be met largely in the bill market.

Comment on alternatives

The first of the above alternatives would clearly create the greatest risk of aggravating the rise in long-term rates. Although this alternative is advanced as a relatively modest approach to debt lengthening, only an intermediate and long-term issue would be offered in the exchange. Consequently, unless cash redemptions were very large, the degree of debt extension accomplished would be substantial. Since the Treasury could be expected to price the new issues to obtain a creditable exchange, the odds seem rather high that this financing approach would extend rate advances significantly further in the Government securities market and possibly in the corporate and municipal markets as well. To risk such rate developments at this stage of the economic recovery seems unjustified.

Offering of a 10-12 year bond at this juncture would create an especially difficult pricing problem for the Treasury in any event. Over and above the pricing complications arising from the half decade absence of any Treasury debt offerings with maturities beyond 7 years, the desire to insure that exchanges into any long-term offering would be quite modest could be accomplished only through delicate pricing -- given the "rights" form of the refinancing.

In view of the high policy priority now being accorded the avoidance of both higher long-term rates and lower short-term rates, there is much to be said for electing approach two above -- i. e. offering a single new short-term note issue in a "rights" exchange. From a debt housekeeping standpoint, however, such an approach would have its drawbacks. The new issue would be large and possibly create debt refinancing problems for the future, although at the 21 month maturity slot no other issues are presently outstanding (as the attached table shows). Moreover, adoption of this approach would do very little to stretch out existing marketable debt in advance of the period of massive deficit financing that lies ahead. And cash redemptions might be higher than in the case where "rights" holders could choose between two exchange options. Higher attrition could have effects on very short-term interest rates as redeemed funds were re-inacted at least tenuously in money market instruments.

A refinancing approach along the lines of the third alternative noted above might represent a reasonable compromise between the objectives of alternatives one and two. Offering of new exchange options in the 18 month and 4 year maturity slots would accomplish some modest debt lengthening, but the average maturity of the new issues would probably be short enough to avoid serious competition with funds flowing into longer-term debt markets. In fact, announcement of a refunding package along the lines proposed in alternative three (and even moreso under alternative two) might very well be followed by some decline of yields on longer-maturity Treasury issues.

A "rights" exchange even one which stresses short-term offerings, might generate some temporary downward pressure on Treasury bill rates -- on swaps by investors not wanting the new issues -- at a time when other seasonal influences were also exerting similar pressures. Early announcement of Treasury plans to cover its late May cash needs in the Treasury bill market might, therefore, be helpful in moderating the extent of any further bill rate declines.

Adoption of the alternative three approach would not rule out the possibility of a Treasury offering of long-term bonds at a later date. While the interest cost of a later long-term offering might very well be higher than now, this is not wholly clear; bond markets have been especially sensitive recently, but the atmosphere could calm at a later point as heavy corporate bond offerings moderate. One alternative the Treasury might wish to consider in offering long-term bonds is a series of modest-sized, cash auctions using the Dutch technique (i.e. all bids would be allotted at the stop-out price in order to encourage wider participation by non-professionals). Such auctions could become a regular debt-lengthening feature of Treasury financing operations.

Recommendation of
Government Finance Section

The Government Finance Section recommends against the adoption of any debt refinancing approach seeking the degree of debt extension involved in alternative one above. It would prefer to stay short, as in either alternative two or three, but believes that the amount of debt extension involved in alternative three would not be too risky -- if the Treasury sees the need to meet at least a part of its debt housekeeping objectives at this time. In view of the recent unsettled state of the Government securities market, it is too early to suggest any precise pricing specifications for a Treasury operation of the alternative three type.

Chairman Burns

Table 1

Treasury Securities Maturing
At Quarterly Refunding Periods

As of February 28, 1971
(In millions of dollars)

		Held by Public
1971 -	May	5,810
	Aug.	4,190
	Nov.	3,688
1972 -	Feb.	4,796
	May	5,337
	Aug.	3,872
	Nov.	(2,328) due in Dec.
1973 -	Feb.	--
	May	3,198
	Aug.	4,879
	Nov.	3,846
1974 -	Feb.	5,519
	May	6,568
	Aug.	4,816
	Nov.	4,046
1975 -	Feb.	3,490
	May	2,309
	Aug.	5,471
	Nov.	--
1976 -	Feb.	882
	May	1,973
	Aug.	2,727
	Nov.	--
1977 -	Feb.	2,356
	May	--
	Aug.	1,634
	Nov.	--
1978 -	Feb.	5,407
	May	--

Note: Issues maturing between refunding dates are entered at nearest preceding quarterly date.

Chairman Burns

Table 2

Ownership of Maturing Treasury Securities
As of February 28, 1971
(In millions of dollars)

	Total	Held by Public	Comm. banks	Savings instits.	Insurance Companies	All Other 1/
5-1/4 of 5/15/71	4,265	2,370	1,160	78	54	1,078
8 of 5/15/71	4,176	3,440	1,663	81	79	1,617

1/ Reporting business corporations, which account for around 50 per cent of total corporate holdings, held 44 of the 5-1/4's and 18 of the 8's.

NOTE: numbers for commercial banks and insurance companies have been blown-up to represent full coverage.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date April 26, 1971

To Chairman Burns

Subject: ABA Visit of April 27.

From John Rippey JR

One of the purposes of the visit by a delegation representing the American Bankers Association to see you is to discuss in general terms the draft of a proposed bill to regulate billing practices of credit card issuers. The draft has been prepared by a special working group within ABA as an alternative to S. 652, a bill introduced early this year by Sen. Proxmire. The Proxmire bill, like ABA's, would cover all credit card issuers--retailers, oil companies, etc.--as well as banks. It is ABA's view that S. 652 would be unnecessarily restrictive and would be particularly burdensome to banks because of the special nature of the bank credit card industry.

Like Proxmire's, the bill drafted by ABA would rely to a considerable degree on the willingness of the Federal Reserve Board to take on the additional burden of administering regulations under the bill. In several instances, the explanation accompanying the draft notes that a particularly knotty problem can be resolved by allowing the Board the latitude to prescribe suitable regulations. Under either bill, millions of transactions across the country would be subject to regulation. A huge amount of mail would be generated and an enormous amount of staff time would be required to get the regulations underway. The underlying reason for making the Board the administrator, according to the explanation, seems to be that bank credit cards represent the vanguard of a new payments mechanism, replacing cash and checks. The cards are only secondarily a means of extending credit.

The draft also argues that it would be wrong for regulation of bank cards to be splintered between banking and non-banking (read Federal Trade Commission) agencies. In point of fact, both the ABA draft and the Proxmire bill would give rule-writing authority to the Board. The rationale for this grant in the Proxmire bill is simply that the purview of the Senator's subcommittee extends only as far as the financial supervisory agencies. A bill along the lines of S. 652, but giving rule-writing authority to FTC, would probably be referred to the Senate Commerce Committee, away from Proxmire's grasp.

The Board has been asked to report on S. 652, and the staff is now working up a draft for consideration by the Board. It is probably fair to say that, by and large, the staff's suggestions for modifications of S. 652 would not be greatly different from the alternatives set forth in the ABA draft. The Board has not been asked by Sen. Proxmire to comment on the ABA draft, and, in fact, no bill embodying the draft has been introduced.

S. 652 is a much more extreme bill than one which Sen Proxmire introduced last year. The reason for this radical turn may be that he is feeling the effects of competition from FTC and the House Small Business Committee. Both had credit cards under study last year, and, toward the end of the year, FTC had proposed stiff rules for credit card issuers as a new trade practice rule. This rule would have applied to bank credit cards, at least arguably, and bankers were very much disturbed by this incursion into heretofore exempt territory. Thus the bankers are looking to Sen Proxmire to pass a bill which will clearly indicate that the Board--and not FTC--has power to regulate bank credit cards.

FTC announced in January that it was withdrawing its proposed trade rule pending the outcome of Congressional action on S. 652.

April 27, 1971

TO: Chairman Burns

FROM: Robert C. Holland

Following are clues just relayed to me by Paul Wren of the ABA Government Borrowing Committee with whom you will be meeting at 4:00 p.m. this afternoon, concerning the key questions they are likely to raise for discussion with you.

1) Current interest rate trends, including particularly the recent prime rate increase (Treasury spokesmen have been quite critical of this in private conversations with this group; the bankers feel the Treasury is being a little hard on them, are quite conscious of the fact that the Federal Reserve has made no statement and are wondering how you feel about the prime rate increase.).

2) Federal Reserve policy--specifically, is the recent rate of growth in M_1 too high?

3) Concern with the state of our balance of payments (They will want to express concern, and will be interested in your feeling.).