

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 21, 1952. The Board met in executive session in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Evans  
Mr. Vardaman  
Mr. Powell  
Mr. Mills  
Mr. Robertson

At the conclusion of the executive session, the following members of the staff joined the meeting:

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Vest, General Counsel  
Mr. Young, Director, Division of Research and Statistics  
Mr. Sloan, Director, Division of Examinations  
Mr. Chase, Assistant Solicitor  
Mr. Hackley, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division of Examinations  
Mr. Youngdahl, Chief, Government Finance Section, Division of Research and Statistics  
Mr. Thompson, Federal Reserve Examiner, Division of Examinations

Mr. Thomas presented a report on recent developments in the Government securities market which was followed by a general discussion.

During the foregoing discussion Mr. Allen, Director, Division of

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Personnel Administration, joined the meeting.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of Boston and St. Louis on February 18, by the Federal Reserve Bank of San Francisco on February 19, by the Federal Reserve Bank of Atlanta on February 20, 1952, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the payment of salary to Mr. John L. Liles, Jr., as Vice President of the Federal Reserve Bank of Atlanta for the period March 1, 1952, through May 31, 1952, at the rate of \$9,000 per annum, which is the rate approved by the Board of Directors as indicated in your telegram of February 8, 1952, and your letter of February 1."

Approved unanimously.

At this point Messrs. Allen and Youngdahl withdrew from the meeting.

Before this meeting there had been sent to each member of the Board a copy of a memorandum dated February 18, 1952, from Mr. Vest summarizing the principal provisions of bill H.R. 6504, the Bank Holding Company Act of 1952, introduced by Chairman Spence, of the House Banking

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and Currency Committee, on February 7. The memorandum also commented on some of the differences between this bill and similar legislation under consideration in the Senate Banking and Currency Committee in 1950. There also had been sent to each member of the Board at the request of Mr. Evans a copy of a memorandum dated February 21, 1952, from Mr. Sloan regarding certain features of the new bill.

At the request of Mr. Evans, Mr. Vest commented on the provisions of bill H.R. 6504, comparing them with the provisions of two other bank holding company bills, S. 2318, which was recommended by the Board in 1949, and S. 3547, which was introduced by Chairman Robertson, of the Senate Banking and Currency Committee, in 1950. He also stated that the new bill in general might be accepted by the Board, but that if any changes were to be proposed, there were a number of amendments which the Board might wish to suggest. He then outlined briefly the substance of what he regarded as the more important of these amendments.

At the conclusion of Mr. Vest's summary Chairman Martin stated that he had not yet had an opportunity to study the memorandum from Mr. Sloan and suggested that further discussion of the bill be deferred until a meeting of the Board to be held on Monday, February 25, 1952.

This suggestion was approved  
unanimously.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon withdrew, and the action stated

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with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 20, 1952, were approved unanimously.

Telegram to Mr. Olson, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"Reurtel of February 13. Under principle stated in X-47 definition of 'nonresidential structure' in section 2(r) of Regulation X does not include a structure more than eighty per cent of the floor space of which is used or designed for use in the 'staging, developing and printing of motion pictures' and, therefore, credit for the financing of such construction is not subject to Regulation X."

Approved unanimously.

Letter to Mr. Warner, Manager, Credit Department and Discount Department, Federal Reserve Bank of New York, reading as follows:

"This refers to your telegram of February 5, 1952, regarding the question whether, under the standard form of V-loan guarantee agreement, the guaranteed percentage of any accrued and unpaid commitment fee should be included in the amount of any purchase by a Federal Reserve Bank as fiscal agent of the guarantor.

"Section 3 of the form of guarantee agreement provides that, in the event of any purchase, the amount which the guarantor shall pay shall be the face amount of the portion of the unpaid principal amount of the obligation so purchased, plus all unpaid accrued interest on such portion, with appropriate adjustment for guarantee fees; no reference is made to payment of the amount of the guaranteed portion of any unpaid accrued commitment fee. Accordingly, it is our view that the amount of any such unpaid commitment fees should be excluded in determining the amount to be paid by the guarantor in the event of any purchase. Similarly,

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"section 2 of the guarantee agreement relating to the sharing of losses and expenses upon final settlement, refers only to losses of 'principal and interest' and, consequently, accrued and unpaid commitment fees should also be excluded in determining the guarantor's share of losses on final settlement.

"We have informally discussed this matter with the Department of Defense and we have been advised that, at a recent meeting of the Contract Finance Committee of the Department at which this question was raised, the Committee expressed full agreement with the views stated above."

Approved unanimously.

Order suspending license under Regulation W, Consumer Credit, prepared pursuant to action taken by the Board on February 11, 1952, reading as follows:

"UNITED STATES OF AMERICA  
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of

JACOB KIRSCHNER, BENJAMIN KIRSCHNER, and

ISADORE KIRSCHNER, d.b.a.

KIRSCHNER BROTHERS, a partnership

1717 North 54th Street

Philadelphia, Pennsylvania

ORDER SUSPENDING LICENSE UNDER REGULATION W

On February 20, 1952, the Board of Governors of the Federal Reserve System ordered that a hearing be held to determine whether or not the license of Jacob Kirschner, Benjamin Kirschner and Isadore Kirschner, doing business as Kirschner Brothers, a partnership, hereinafter severally called the Registrant, should be suspended, and

On February 20, 1952, said Registrant, by its counsel, Henry Arronson and Bernard S. Robinson, filed with the Board its 'Waiver of Hearing and Consent to Entry of Order Suspending Registrant's License', and

The Board, having considered the Waiver of Hearing and Consent to Entry of Order Suspending Registrant's License, aforesaid,

HEREBY ORDERS, under authority of Section 601 of the Defense Production Act of 1950:

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"1. That the license of said Registrant issued pursuant to Regulation W be and the same is hereby suspended for fifteen days, from February 25, to March 10, 1952, both dates inclusive; provided, that this order shall not prohibit the receipt of any payments on existing obligations, or the making of payments of any obligations, including obligations to employees for salaries and wages.

2. Any terms used in this order that are defined in Regulation W shall have the meaning therein given them.

By order of the Board of Governors of the Federal Reserve System this 21st day of February 1952.

(signed) S. R. Carpenter,  
Secretary."

Approved unanimously.

  
Secretary.