

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, April 29, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

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

The Secretary later was advised by the Chairman that during the executive session the actions indicated had been taken with respect to the following matters:

Memorandum dated April 23, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending for reasons stated therein that the Board authorize: (1) the reprinting at this time of 10,000 paper-bound copies of the booklet entitled "The Federal Reserve System—Its Purposes and Functions" by the Duplicating and Mail Section of the Division of Administrative Services; and (2) the reprinting at a later date of not to exceed 5,000 additional copies by that Division if they should be required to meet the demands during the current year.

Approved unanimously, with the understanding that the cost involved had not been provided for in the approved budget of the Division of Administrative Services for 1952.

Memorandum dated April 25, 1952, from Mr. Sherman, Assistant Secretary, recommending that the Board authorize the payment of the

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cost of the dinner and luncheons and other incidentals connected with the Conference of Chairmen of the Federal Reserve Banks to be held on May 5 and 6, 1952.

Approved unanimously.

Unanimous approval was given to the payment of a voucher submitted by the Federal Reserve Bank of San Francisco, in the amount of \$1,300.41, incident to Mr. Swan's service as Acting Assistant Director of the Division of Selective Credit Regulation for the period February 25 to March 31, 1952.

Memorandum dated April 16, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending for reasons stated therein that paragraphs 4 and 5 of the Board's travel regulations be amended to read as follows:

"4. For the purposes of paragraphs 1, 2, and 3 above, the term actual necessary transportation expenses includes the cost of all necessary official travel by railroad, airline, steamer, bus, streetcar, taxicab, automobile and other means of conveyance, together with minimum priced single first-class accommodations in staterooms on vessels or one standard lower berth or single seat in a sleeping or chair car, except that the lowest priced first-class Pullman accommodation obtainable in connection with a single fare may be allowed when notation is made on the travel voucher that, at time reservation was made, the accommodation, if superior to a standard lower berth, was the lowest priced first-class available; and, in the case of steamship travel, the lowest priced single first-class accommodation available will be allowed when notation is made on the travel voucher that the accommodation superior to minimum single first-class was the lowest available at time reservation was made. Persons referred to in paragraphs 1 and 2 above may be allowed any

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"Pullman accommodations obtainable in connection with a single fare, and, when a single bedroom is not available, any member of the Board may be allowed the extra railroad fare necessary to enable him to obtain Pullman accommodations, the cost of which does not exceed the cost of a compartment, as well as the extra cost of such accommodations. This item also includes reasonable expenditures for the ordinary incidentals to transportation which are not covered by the definition of per diem in lieu of subsistence such as cost of baggage transfer; official telegraph, telephone, radio and cable messages relating to transportation; steamer chairs and steamer rugs; and the usual taxicab, streetcar or bus fares from station or wharf or other terminal to place of abode or place of business and from place of abode or place of business to station or wharf or other terminal while in a travel status. In addition to the actual taxicab fare, reimbursement may be allowed for tip of 10¢ where the fare is \$1 or less or 10% of the fare increased to the next multiple of 5 where the fare exceeds \$1. When claimed such tip shall be shown as a separate item in the expense voucher. When using his own automobile in official travel, the traveler may be allowed mileage at a rate not to exceed 7¢ per mile in lieu of actual operating expenses.

"When savings can be effected by the purchase of round trip or special rate tickets, they shall be obtained.

"Extra expense incurred by persons referred to in paragraphs 2 and 3 above by reason of travel on extra fare trains and planes, or unusual means of conveyance, will be allowed only when the travel voucher is accompanied by a satisfactory showing of the necessity therefor, or that the cost thereof, less the amount of subsistence allowance saved by more expeditious travel and the amount of salary of the traveler for the time thus saved, does not exceed the standard cost of rail and Pullman or airline fare between the points of travel.

"5. For the purposes of paragraphs 1, 2, and 3 above, the term per diem in lieu of subsistence includes all meals; lodgings; personal use of room during daytime; baths; all fees and tips to waiters, porters, baggagemen, bellboys, hotel maids, and dining room stewards and others on vessels, and hotel servants in foreign countries, in connection with

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"subsistence and transportation (note that reimbursement may be allowed for tips to taxicab drivers, as described in paragraph 4); telegrams and telephone calls reserving hotel accommodations; laundry; cleaning and pressing of clothing; and transportation between places of lodging or where meals are taken and places of duty.

"When meals are included in the cost of passage ticket on vessels, per diem in lieu of subsistence will not be allowed while traveler is on shipboard, but for such period he will be reimbursed on the basis of actual necessary travel expenses.

"When a member of the Board's staff finds it necessary to take leave of absence on account of illness while in a travel status, he may be allowed (with the approval of the Board's Personnel Committee in the case of a head of a division, and with the approval of the head of the division in the case of other employees of the Board) per diem in lieu of subsistence during such absence, for a period not to exceed one week and, in the event the illness extends beyond one week, he may be allowed per diem in lieu of subsistence for such additional period as may be fixed by the Board."

Approved unanimously, effective today, with the understanding that, in line with the practice of other Government agencies, the amendment would apply to tips paid to taxicab drivers in Washington when the taxicab is hired as a special conveyance.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 28, 1952, were approved unanimously.

Letter to Mr. Lunding, Federal Reserve Agent, Federal Reserve Bank of Chicago, reading as follows:

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"In accordance with the request contained in Mr. Meyer's letter of April 25, 1952, the Board of Governors approves the payment of salary to Mr. George H. Schussler, Acting Assistant Federal Reserve Agent, at the rate of \$4,580 per annum, effective May 5, 1952."

Approved unanimously.

Letter to Mr. Woolley, Vice President, Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation of the Discount Committee of your Bank, contained in your letter of April 16, 1952, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to Northwest National Bank of Oklahoma City, Oklahoma City, Oklahoma, to maintain the same reserves against deposits as are required to be maintained by banks outside central reserve and reserve cities, effective as of the date of commencement of business by the subject bank.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

"This is in response to your letter of March 17, 1952, with enclosures, in which you request the opinion of the Board with reference to questions arising under the provisions of sections 20 and 32 of the Banking Act of 1933 concerning a program contemplated by the Victoria Loan and Investment Company, an affiliate of the Victoria Bank and Trust Company, Victoria, Texas.

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"The facts as set forth in your letter indicate that the investment company's principal business at the present time is that of making loans secured by real estate mortgages and the company plans to expand its lending operations in accordance with the following arrangement.

"Mortgage loans will be made by the company to be held in trust as 'pooled collateral' by the bank acting as trustee under a trust agreement. The company also proposes to borrow locally from interested individuals who have funds for investment, and to issue to these individuals negotiable notes having maturities not exceeding 360 days and secured by the 'pooled collateral'. The plan contemplates that the collateral will be in an amount of not less than 120 per cent of the amount borrowed and evidenced by the notes. The notes will not be issued in series or blocks but will represent separate and distinct transactions and will be in amounts of from \$500 upward although not exceeding in the aggregate \$500,000.

"Two questions arise involving sections 20 and 32 of the Banking Act of 1933: (1) Are the above-described promissory notes 'securities' within the meaning of these sections of the law, and (2) will the investment company be 'primarily engaged' or 'engaged principally' in the issue, flotation, underwriting, public sale, or distribution of securities?

"On the basis of the facts stated, it appears that the notes in question would be obligations of the investment company secured by a pool of real estate loans made by the company. The notes to be issued by the company would be negotiable and would be sold to the public as investments. An individual note would not be secured by a specific mortgage but would be secured by a pool of mortgages and, as we understand it, by the obligations of the mortgagors. After careful consideration of the matter, it is the view of the Board that the notes in question would be 'securities' within the meaning of both section 20 and section 32 of the Banking Act of 1933.

"Furthermore, it is understood that if the contemplated arrangement should be adopted the great bulk of

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"the business of the Victoria Loan and Investment Company would be the borrowing of money through the issuance of the notes in question and the use of the funds thus obtained in lending on mortgages. The borrowing and the lending would be integral parts of the same business. In these circumstances, the Board is of the opinion that the company would be 'primarily engaged' within the meaning of section 32, and 'engaged principally' within the meaning of section 20, of the Banking Act of 1933, in the issue, flotation, underwriting, public sale or distribution of securities and, accordingly, that these sections of the law would be applicable in the situation."

Approved unanimously.

Letter to Mr. Merrill Brown, Counsel, Major Appliance Division, General Electric Company, 310 West Liberty Street, Louisville, Kentucky, reading as follows:

"This refers to your letter to Mr. Shay of the Board's staff of April 23, 1952, and its enclosures, concerning the efforts of the General Electric Company to prevent the advertising by dealers of credit terms contrary to those permissible for transactions subject to Regulation W - Consumer Credit. You referred particularly to the advisability of honoring a claim for an advertising allowance where it appears that the dealer, since the date of publication of the objectionable advertisement with respect to which the allowance has been requested, has revised his advertising practices in the light of Company reminders regarding Regulation W.

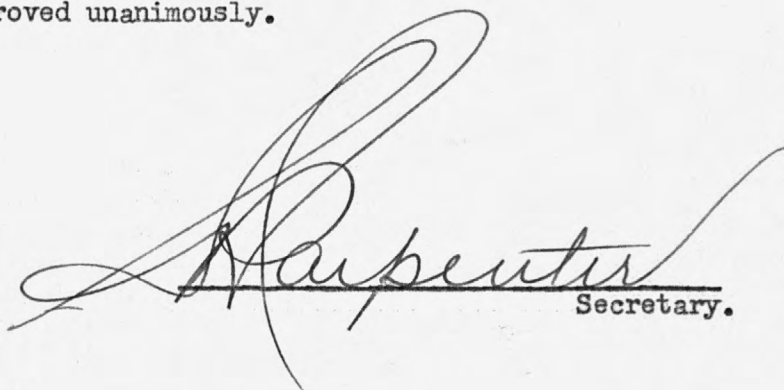
"The Board appreciate very much the efforts of your Company with respect to dealer advertising concerning listed articles and is not unaware of the difficulties of the task you have undertaken. We are confident, however, that your approach to the matter, as evidenced by the revision in advertising practices by the particular dealer to whom you referred, will go a long way in helping to minimize the problem. Of course, the payment or nonpayment of any advertising allowance is a matter within the discretion of the Company.

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"In our judgment, the discussion on April 8 between you and your associates and certain members of the Board's staff was a very constructive approach to a matter of important mutual interest. We appreciate your writing to us and hope that you will call upon us at any time for assistance in connection with any matters relating to the administration of the regulation."

Approved unanimously.



L. Carpenter
Secretary.