

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 23, 1952.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 22, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on May 19, by the Federal Reserve Bank of San Francisco on May 20, by the Federal Reserve Bank of Minneapolis on May 21, and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, Kansas City, and Dallas on May 22, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective May 25, 1952:

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5/23/52

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Williams, Assistant Director,</u> <u>Division of Research and Statistics</u>		

5/19/52

Doris P. Warner, Economist	\$5,940	\$6,140
Wilhelyn Morelle, Economist	4,830	4,955
Loretta Freedman, Clerk	3,575	3,655
Doris Bruderer, Clerk-Stenographer	3,495	3,575
Margaret Notter, Clerk	3,110	3,190

Memorandum from Mr. Marget, Director,
Division of International Finance

5/7/52

Arthur B. Hersey, Chief, Special Studies Section	10,000	10,200
Florence I. Jaffy, Economist	6,140	6,340
Robert Solomon, Economist	5,940	6,140

Memorandum from Mr. Dembitz, Assistant Director,
Division of International Finance

5/20/52

Amanda Patricia Brown, Clerk-Stenographer	2,830	2,950
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Memorandum from Mr. Sloan, Director,
Division of Examinations

5/12/52

G. C. Page, Assistant Federal Reserve Examiner	6,000	6,125
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Memoranda from Mr. Leonard, Director,
Division of Bank Operations

5/12/52

Kathryn E. Ridgway, Statistical Clerk	3,030	3,175
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5/19/52

Barbara Bauman, Clerk	3,110	3,255
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<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from Mr. Bethea, Director, Division of Administrative Services</u>		
5/7/52	Eleen C. Shepherd, Printing Clerk	\$3,785	\$3,910
	Valeria Faina, Charwoman	2,420	2,490

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of May 20, 1952, addressed to Mr. Sloan, the Board approves the designation of Richard A. Moffatt as special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

Letter to Mr. Slade, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation of your Bank contained in your letter of May 14 and, pursuant to the provision of Section 19 of the Federal Reserve Act, grants permission to Sun Valley National Bank of Los Angeles, Los Angeles (Sun Valley), California, to maintain the same reserves against deposits as are required to be maintained by banks located 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.

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Letter to Mr. Joseph McCord, Director, Department of Financial Institutions, State of Indiana, Indianapolis, Indiana, reading as follows:

"This refers to your letter of May 17, 1952, inquiring as to the prospects of passage in the near future of the bill S.2938, relating to capital requirements for membership in the Federal Reserve System and for the establishment of branches by member banks.

"This bill is still pending before the Senate Banking and Currency Committee and no similar bill has yet been introduced in the House. As you know, the Senate Committee has been largely occupied by consideration of extension of the Defense Production Act; and we are, of course, hopeful that the Committee may yet find it possible to consider the capital requirements bill.

"We appreciate your interest in this matter and we shall be glad to advise you of any developments."

Approved unanimously.

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

"This refers to your letter of May 15, 1952, addressed to Mr. Sloan in which you requested permission to destroy all reports of condition and all reports of earnings and dividends of national banks and State member banks up to, but not including, the year 1947.

"In accordance with the authority given to the Reserve Banks in the Board's letter of July 24, 1946, S-925, the Board has no objection to the destruction of the reports mentioned. The reports which you forwarded to the Board on March 12, 1947, for microfilming, have been destroyed."

Approved unanimously.

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

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"Reference is made to your letter of May 13, 1952, addressed to Mr. Sloan in which you asked to be advised whether the Board's instructions regarding retention of reports of examination of State member banks apply in the case of State member banks which have converted into national banks.

"It is believed that the reports of examination you mentioned as well as all correspondence and related reports during the period of membership as State banks should be retained indefinitely. This procedure would seem to be consistent with the policy outlined in the Board's letter of July 24, 1946 - S-925."

Approved unanimously.

Letter for the signature of the Chairman to Gruntal & Co.,
25 Broad Street, New York, New York, reading as follows:

"This will acknowledge receipt of your letter of May 10, 1952, in which you suggest that so-called 'conversion' transactions be exempted from Regulation U, the regulation which relates to loans by banks for the purpose of purchasing or carrying stocks registered on a national securities exchange.

"In these 'conversion' transactions you simultaneously buy a stock, sell a 'call' on it, and buy a 'put' with respect to it. When you enter into such transactions you can sell the 'call' at a differential above the 'put' sufficient to cover costs and a small profit. You state that these transactions are 'absolutely riskless from a banking standpoint'.

"The Board, of course, welcomes suggestions for aiding in the administration of its regulations. Your suggestion will be carefully examined in the light of the relevant facts, and you will be advised further.

"The margin regulations are chiefly concerned with the use of credit rather than with reducing the risks of lenders, and the carrying of the stock purchased in a 'conversion' transaction does, of course, involve the use of credit. Without in any way prejudging your question or preventing

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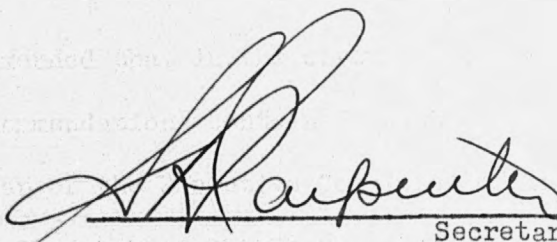
"its careful and independent consideration at this time, I think I should mention that the Board has previously had occasion to consider a suggestion that such transactions be exempted, and it reached the conclusion at that time that it would not be appropriate to adopt such an amendment."

Approved unanimously, together with the following letter for the signature of the Chairman to Mr. Sproul, President, Federal Reserve Bank of New York:

"For your information there is enclosed a copy of a letter and enclosures received from Gruntal & Co., 25 Broad Street, New York 4, New York, suggesting that so-called 'conversion' transactions be exempted from Regulation U. There is also enclosed a copy of my reply.

"We would appreciate any comments or suggestions that your Bank might care to make on the question raised by Gruntal & Co.

"For your convenient reference in connection with the statement in my letter that the question has previously been considered by the Board, there is enclosed an excerpt from a letter which Mr. Edward C. Gray, Executive Vice President of the New York Stock Exchange addressed to Governor Szymczak under date of April 25, 1951, together with the Board's letter of August 29, 1951, discussing the suggestion."



Secretary.