

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 8, 1952. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem.

Mr. Vardaman

Mr. Mills

Mr. Robertson

Mr. Vest, General Counsel

Mr. Noyes, Director, Division of  
Selective Credit Regulation

Mr. Hackley, Assistant General Counsel

Following the meeting Governor Szymczak advised the Assistant Secretary that the discussion at the meeting was as follows:

Governor Vardaman referred to a letter received from the Honorable Jess Larson, Administrator of General Services, dated August 7, 1952, enclosing an authorization of a guarantee of a V-loan to be made to Reynolds Reduction Company by certain insurance companies and banks in the aggregate amount of \$76,750,000. The Reynolds Metals Company, through a newly organized subsidiary known as Reynolds Reduction Company, is to build and operate certain additional aluminum facilities, and the proposed loan is to finance this arrangement. Until completion of the facilities the guaranteed percentage would be 100 per cent; for a period of five years thereafter the guaranteed percentage would be 70 per cent; and at the end of that five-year period, each financing institution may select any guaranteed percentage it desires up to and including 100 per cent. During the

8/8/52

-2-

five-year period when the guaranteed percentage will be 70 per cent there will be in force a supply contract between General Services Administration and Reynolds Reduction Company under which General Services Administration in effect will be committed to take over any excess aluminum production. Under Executive Order 10161, the Board is required to consult with all the guaranteeing agencies regarding changes in forms and procedures and guarantee fees in connection with V-loan guarantees. In its letter of August 7, General Services Administration stated that the proposed changes in the form of the guarantee agreement in this instance were technical only and not substantive and that the arrangement represents the most favorable which the Government could obtain; also that it should not be considered a precedent for future transactions. It was pointed out that representatives of the Board and General Services Administration had already consulted with the Defense Department, including the Departments of the Army, Navy and Air Force, and also with a representative of the Atomic Energy Commission, at a meeting on July 22, 1952. The Defense Department, through Mr. Bachman, has orally advised the Board's General Counsel that it does not object to the proposed guarantee if the Board believes that the arrangement will have no materially adverse effect upon the V-loan program, with particular reference to guarantee fees.

8/8/52

-3-

After a discussion of the matter, it was agreed that, before the Board made any reply to Mr. Larson's letter, there should be a consultation with the guaranteeing agencies under the V-loan program other than those which had previously been consulted on this matter, and the staff was instructed to proceed with such consultation. It was also agreed that the authorization for the proposed guarantee should be transmitted to the Federal Reserve Bank of New York today on a tentative basis in order that the New York Bank could initiate discussions with the parties at interest on the basis of the detailed provisions of such authorization, pending further advice from the Board.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 7, 1952, were approved unanimously.

Telegram to Mr. Erickson, President, Federal Reserve Bank of Boston, reading as follows:

"Refer your August 4 wire concerning rates of discount and purchase in effect at your Bank. In view of action of the Federal Open Market Committee as reported in letter dated July 30, 1952, rates on purchases of Government securities under resale agreement do not require approval by the Board. For other rates Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated August 4."

Approved unanimously.

8/8/52

-4-

Telegram to Mr. Clarke, Secretary and Assistant Counsel,  
Federal Reserve Bank of New York, reading as follows:

"Board approves establishment by your Bank, without change of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram of August 7. It is noted that in view of recent change made by Federal Open Market Committee in authorization with respect to fixing rates for purchases of Government securities under repurchase agreement your directors did not establish any rate with respect to such purchases."

Approved unanimously.

Telegram to Mr. Blair, Vice President, Federal Reserve Bank  
of Cleveland, reading as follows:

"Refer your August 7 wire concerning rates of discount and purchase in effect at your Bank. In view of action of the Federal Open Market Committee as reported in letter dated July 30, 1952, rates on purchases of Government securities under resale agreement do not require approval by the Board. For other rates Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated August 7."

Approved unanimously.

Telegrams to the Federal Reserve Banks of Philadelphia, Richmond, St. Louis, Minneapolis, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on August 4, by the Federal Reserve Bank of San Francisco on August 5, and by the Federal Reserve Banks of Philadelphia, Richmond, Minneapolis, and Dallas on August 7, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

8/8/52

-5-

Memoranda recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective August 17, 1952:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Memoranda from Mr. Dembitz, Assistant Director, Division of International Finance</u>			
7/18/52	Edward Ames, Economist	\$7,240	\$7,440
7/21/52	Robert Solomon, Economist	6,140	7,040
<u>Memorandum from Mr. Sloan, Director, Division of Examinations</u>			
7/11/52	H. F. Stone, Assistant Federal Reserve Examiner	5,060	5,185
<u>Memorandum from Mr. Leonard, Director, Division of Bank Operations</u>			
7/17/52	Raymond J. Collier, Technical Assistant	7,240	7,440
<u>Memorandum from Mr. Allen, Director, Division of Personnel Administration</u>			
7/24/52	Gena E. Gander, Secretary	3,535	3,660
	Sylvia I. Clements, Secretary	4,295	4,420
<u>Memoranda from Mr. Bethea, Director, Division of Administrative Services</u>			
7/18/52	Mildred D. Spano, Stenographer	3,175	3,255
8/5/52	Joseph W. Wright, Photographer (Offset)	3,795	4,205
	Hugh T. Ladd, Offset Pressman	3,795	4,205

Approved unanimously.

8/8/52

-6-

Telegram to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"Reurtel August 6. Board approves designation of Stanley Joseph Hrydziusko as special assistant examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

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

"In accordance with the request contained in your letter of July 31, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Atlanta for the specific purpose of rendering assistance in the examinations of State member banks only:

Hammond, O. W.	Forbes, James B.	Walker, Chas. R.
Andrews, Robert R.	Morgan, Wm. B.	Medlock, G. C.
Webb, G. D.	Shealy, Burrell M.	Junca, Rene' M.
Goss, Woodfin	Lawrence, Wilbur W.	Crow, Vestus L.
Jones, Jas. L., Jr.	Clegg, Edward	Ray, John S.
Sewell, Dupert M.	Martinez, Bernard	Valette, Edgar M.
Walter, Theodore	Dill, Richard A.	Greer, Floyd N.
Chapman, C. Ray	Dexter, Richard N.	Wofford, A. G.
Hooper, J. O.	Miller, Marvin L.	Davis, O. E., Jr.
Thurman, W. Ralph	Webster, T. L.	Dastugue, M. F., Jr.
Smith, Edward E.	Allenbach, Victor A.	Foushee, R. L.
Waller, Wm. A.	Burson, W. C.	Hamilton, C. N.
Hicks, W. Lester	Thomas, J. Ernest	Stringfellow, M. E.

"We have eliminated from our list the names of officers and employees heretofore approved as special assistant examiners for general purposes."

Approved unanimously.

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

8/8/52

-7-

"In accordance with the request contained in your letter of July 31, 1952, the Board approves the appointment of Richard A. Moffatt as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"Pursuant to your letters of July 30, 1952, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Kansas City for the specific purpose of rendering clerical assistance in the examinations of Commerce Trust Company, Kansas City, Missouri, and The International Trust Company, Denver, Colorado:

Abbott, Claude	Finley, Wm. R.
Andrews, Stanley	Flanagan, Grover D.
Barry, W. J.	Fogle, William C.
Beck, E. O.	Gable, Jerry
Blair, John	Goyette, D. R.
Brauninger, T. F.	Hain, W. M.
Brown, F. E.	Hollcroft, Keith L.
Calvin, B. R.	Huffman, L. D.
Campana, F. E.	Johnson, Carl
Chick, W. W.	Keithley, Vern A., Jr.
Chinn, G. S.	Kemner, E. W.
Cockrell, Paul E.	King, C. E.
Coleman, P. E.	La Rose, Sylvester
Craig, J. C.	Laskey, Wm.
Crouch, John H.	Mathews, F. J.
Culbertson, W. E.	McCarty, E. A.
Cunningham, D. C.	McCormick, Robert R.
Curtis, Ernest	McDowell, Leon
Dewey, Geo. A.	Mecker, Louis H.
Diehl, Dale	Mignery, A. H.
Elder, Wm. Lloyd	Moran, G. E.
Euans, Joe R.	Munsey, Lawrence
Ewing, C. A.	Parsons, John F.

8/8/52

-8-

"Patterson, Charles	Dorothy Burns
Pope, Joseph M.	Alice Dulle
Preston, E. J.	Joyce Estep
Price, H. E.	Mary Helen Haines
Ratkie, M. E.	Marjorie Hansen
Reynolds, F. A.	Catherine Hirsch
Rhodes, Fred C.	Aileen Johnson
Roche, John O.	Mary Lynn
Scott, C. B.	Edna Polfer
Sheppard, Charles	Helen Reynolds
Snell, O. M.	Ann Beumer
Spurlock, John B.	Marie Blair
Swanson, Estus A.	Wanda Buckles
Tangney, Leo	Mary Bush
Terrell, Birney	Beverly Curp
Thomas, Robt. E.	Lavina Emrick
Tindall, Keith	Pattie Grasby
Trimble, Harry B.	Sophie Glinka
Wangler, Arthur	Agnes Masur
Whitsitt, W. E.	Ernestine Miller
Willock, Edwin S.	Mildred Neudorff
Wysong, P. V.	Isabel Satterfield

"As requested, we have eliminated from our list the names of officers and employees heretofore approved as special assistant examiners for general purposes."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks,

reading as follows:

"Letters May 29, 1952, to Federal Reserve Agents and July 3, 1952, to Banks referred to possibility of increased printings of Federal Reserve notes.

"As part of emergency program a Government Committee on Post-Attack Functioning and Rehabilitation of Banking Institutions, on which Board is represented, has recommended that supply of Federal Reserve notes be built up to a two-years' supply.

"To accomplish this, Board is prepared to place a supplementary order of 45,000,000 sheets of Federal Reserve notes to be printed during the remainder of fiscal year



8/8/52

-9-

"ending June 30, 1953. Printings under present order would be stepped up and distribution of supplementary order by Banks and denominations would be made later. Is this program agreeable to you?"

Approved unanimously.

Letter to Mr. S. B. McKinney, Special Assistant, National Association of Credit Men, 229 Fourth Avenue, New York, New York, reading as follows:

"In response to your letter of July 21, there are shown below statistics as of June 30, 1952 and December 31, 1951 of the number of banks on which checks are drawn, distributed according to Federal Reserve par status:

	June 30, <u>1952</u>	Dec. 31, <u>1951</u>
Total number of banks on which checks are drawn	13,968	13,987
Number of banks on Federal Reserve Par List:		
Total	12,145	12,158
Member banks	6,810	6,835
Nonmember banks	5,335	5,323
Number of banks not on Federal Reserve Par List	1,823	1,829

"There is also enclosed, in further response to your request, a table showing as of June 30, 1952 the number of banks on the Federal Reserve Par List and not on the Par List in each of the States in which there were one or more nonpar banks.

"These statistics are published in and may be obtained semiannually from the Federal Reserve Bulletin, which is sent to you each month. For December 31, 1951 they appear on page 202 of the February 1952 issue; for June 30, 1952, they will appear in the August issue, which will be released around August 20. If you need the statistics in advance of publication in the Bulletin, please so advise us."

Approved unanimously.

8/8/52

-10-

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

"The Board has given careful consideration to the application for full fiduciary powers forwarded with Vice President Pondrom's letter of June 12, 1952, on behalf of The Waggoner National Bank of Vernon, Vernon, Texas.

"As you know, in acting upon applications of this kind, the Board gives special consideration to various facts and circumstances bearing upon the eligibility of the applicant to receive permission to exercise fiduciary powers. Important among these is the general condition of the bank, particularly the adequacy of its net capital funds in relation to the character and condition of its assets and to its deposit liabilities and other corporate responsibilities, including the proposed exercise of trust powers. In view of the nature of the responsibilities involved in the exercise of fiduciary powers and the potential liabilities inherent in such undertaking, it would seem clear that fiduciary powers should not be granted to a national bank unless its capital position is such as to afford adequate protection not only to its depositors but to the settlors and beneficiaries involved in the fiduciary relationships in which it seeks to act. The inadvisability of a grant of fiduciary authority to a bank is even more clear when it is questionable whether or not its net capital funds are sufficient to afford adequate protection to its depositors.

"Net sound capital has been low in relation to the general volume of business and risk assets of The Waggoner National Bank of Vernon for nearly two years. Despite the retention of a substantial portion of earnings, examinations during this period have reflected an increasing need for additional capital funds. It is true that the May 26, 1952 condensed statement of the bank, submitted with its application for trust powers, shows capital funds considerably in excess of those shown in the February 7, 1952 report of

8/8/52

-11-

"examination. However, in the more recent statement it is not apparent that provision has been made for interest, taxes and dividends accrued during the first five months of 1952. Based on operating experience in the past, and assuming the maintenance of the present dividend rate, it seems clear that retained earnings in 1952 will not alone be sufficient to correct the adverse capital position of the bank even though there is no further expansion in the volume of its business.

"While not disregarding the capability of the bank's management, the conservative policies in effect, the generally high quality of assets and the good earning power demonstrated, it is nevertheless the view of the Board that a broadening of corporate powers of the kind requested would be inappropriate until such time as the capital position of the bank has been improved at least to a point which will provide an acceptable relationship to the character and volume of its banking business. At such time the Board will be glad to consider a new application by the bank for fiduciary powers."

Approved unanimously.

Telegram to Mr. Knoke, Vice President, Federal Reserve Bank of New York, reading as follows:

"Your wire August 7. Board approves granting of loan or loans by your Bank to Banque Centrale de la Republique de Turquie not to exceed \$30 million in the aggregate at any one time outstanding over and above the loans outstanding under the arrangement which expired June 30, 1952, on the following terms and conditions:

- A. Such loan or loans to be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- B. Such loan or loans to run for three months but may be repaid at any time before maturity;
- C. Any such loan or loans to be requested and made on or before February 9, 1953;
- D. Each such loan to bear interest from the date such loan is made until paid at the discount rate of your Bank in effect on the date on which such loan is made;

8/8/52

-12-

"E. The amount advanced at any one time and the amount repaid at any one time to be in round amounts of not less than \$500,000.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

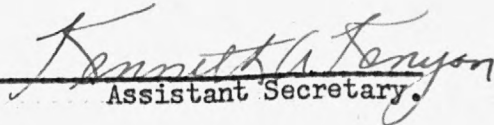
Approved unanimously.

Letter to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors, The Chase Bank, Pine Street corner of Nassau, New York, New York, reading as follows:

"There is enclosed a copy of the report of examination of the Head Office of The Chase Bank, New York, New York, made as of June 20, 1952, by examiners for the Board of Governors of the Federal Reserve System. The figures for the foreign branches shown in the combined statement of condition, as well as the figures for The Chase National Executors and Trustees Corporation Limited and Union Provinciale Immobiliere, were supplied by the Head Office.

"Your courtesy in acknowledging receipt of the report will be appreciated."

Approved unanimously, together with a copy to Mr. Wiltse, Vice President, Federal Reserve Bank of New York.

  
Assistant Secretary.