

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 14, 1952. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Sloan, Director, Division of Examinations  
Mr. Solomon, Assistant General Counsel  
Mr. Hooff, Assistant Counsel

A draft of letter for Chairman Martin's signature to the Presidents of all Federal Reserve Banks regarding the proposed organization of a Center for Latin American Monetary Studies had been circulated among the members of the Board prior to this meeting. The draft read as follows:

"On July 25, I wrote to you regarding the proposed organization of a Center for Latin American Monetary Studies, and asked for comments on this proposal. I want to express my thanks for the helpful and constructive comments that I received. Subsequently, I attended the Mexico City meeting on the organization of the Center, and I now want to report on the present status of the proposal.

"As you know, the Center is expected to have two broad functions: the training of central bank personnel and the carrying on of economic research. Views in the Federal Reserve System have tended to favor placing initial emphasis on the training of central bank personnel, who could then help to introduce higher standards in the research and other activities of their respective institutions.

10/14/52

-2-

"In the discussions in Mexico City, various points were raised that caused me to doubt the wisdom of Federal Reserve membership during the initial period of the proposed Center. Certain of the Latin American representatives seemed inclined to give less emphasis to such a training program and more emphasis to the carrying on of economic research by the Center itself. It seemed to me that this might make the Center less valuable from our point of view, and that there would also be risks of public misunderstanding if we appeared as one of the sponsors of such a research institution without our having been assured of any adequate control over the lines of work to be followed and over the nature of publications that might be issued.

"Although, for these various reasons, we have refrained from joining the Center, the institution has now formally come into existence with the central banks of six Latin American countries appearing as the founding members: Colombia, Cuba, Ecuador, Guatemala, Honduras, and Mexico. I was present at the organization meeting and expressed my good wishes for the success of the new institution.

"Even though we are not a member of the Center, it may be very desirable for the Federal Reserve System to assist such a training program as the Center may develop, by sending instructors or lecturers to the Center, or by helping to work out arrangements whereby the Center could send students to Federal Reserve Banks or to the Board in Washington in connection with the Center's courses of training. Discussion of these possibilities can best be postponed, I think, until we receive further indications of the nature of the Center's work and of the kinds of help that it may need. It would also be possible, of course, for the System to become a member at some later date if that seemed desirable."

Approved unanimously.

Before this meeting there had been sent to each member of the Board alternative drafts of a proposed reply to a letter from Mr. C. F. Wente, President, Bank of America National Trust and

10/14/52

-3-

Savings Association, San Francisco, California, prepared in response to his letter of September 27, 1952 addressed to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, requesting the Board to re-examine the situation with respect to the affiliation between Bank of America National Trust and Savings Association and Transamerica Corporation and to grant to Bank of America the right to vote in the forthcoming election for Class A and B directors of the Federal Reserve Bank of San Francisco.

At Chairman Martin's request, Mr. Carpenter reviewed the background of the Board's consideration in previous years of the question of the eligibility of Bank of America to participate in elections of Class A and Class B directors of the Reserve Bank, which had resulted in the conclusion on each occasion that the bank was affiliated with Transamerica Corporation and that, since the Corporation had designated another bank to participate in such elections, Bank of America was not eligible for such participation. Mr. Carpenter stated that some of the members of the staff believed that it would be desirable to reply to Mr. Wente by stating, as indicated in one of the alternative drafts, that in view of all the relevant circumstances, including the pending Clayton Act proceeding against Transamerica Corporation, the Board felt that it would not

10/14/52

-4-

be warranted in reaching a conclusion different from its previous ones as to the eligibility of the bank to participate in elections of directors. He said that Governor Robertson, on the other hand, felt that it would be preferable, as indicated in an alternative draft of reply, to respond by stating that, in view of the fact that the affiliation between Bank of America and Transamerica Corporation was one of the questions to be decided by the Court of Appeals in connection with the Clayton Act proceeding against Transamerica Corporation, the Board should refrain from considering any alteration of its previous position while that decision was pending. Mr. Carpenter noted there was no difference of view concerning the primary question whether Bank of America should be permitted to participate in the forthcoming nominations and election of directors of the San Francisco Reserve Bank.

The alternative drafts of reply were discussed at length during which the letter of September 27, 1952, from Mr. Wente was read.

At the conclusion of the discussion, unanimous approval was given to a revised reply reading as follows, with the understanding that it would be transmitted through Chairman Wilbur of the Federal Reserve Bank of San Francisco:

10/14/52

-5-

"This refers to your letter of September 27, 1952, addressed to Mr. Brayton Wilbur, Chairman of the Board of the Federal Reserve Bank of San Francisco, in which you refer to the forthcoming election of Class A and Class B directors of the Federal Reserve Bank of San Francisco by banks classified under Group One and request the Board of Governors of the Federal Reserve System to re-examine the situation with respect to the affiliation between Bank of America National Trust and Savings Association and Transamerica Corporation.

"Section 4 of the Federal Reserve Act provides in part with regard to elections of directors of Federal Reserve Banks that 'whenever any two or more member banks within the same Federal Reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate'.

"As you know, on several occasions, before and after the issuance of the complaint under the Clayton Act in the matter of Transamerica Corporation which is now before the Court of Appeals for review, at the request of your Bank the Board has carefully considered the question of the eligibility of your Bank to participate in such elections. The Board's conclusions were that your Bank was affiliated with Transamerica and that, since that Corporation had designated a different bank to participate in such elections, your Bank was not eligible for such participation.

"In the circumstances, including the fact that the question of whether an affiliation exists between your bank and the aforementioned holding company is pending before the Court of Appeals, the Board feels that it would not be warranted on the basis of your letter in taking a different position at this time. Consequently, your bank should not participate in the forthcoming nominations and elections since Transamerica Corporation has designated First Trust and Savings Bank of Pasadena, Pasadena, California, for that purpose."

Messrs. Sloan and Hooff withdrew from the meeting at this point.

10/14/52

-6-

Chairman Martin stated that yesterday he received a telephone call from Mr. Bryan, President of the Federal Reserve Bank of Atlanta, asking that Mr. Young, Director, Division of Research and Statistics, present an economic review illustrated by chart slides at the joint meeting of the directors of the Atlanta Bank and its branches to be held on October 17 in connection with the opening of the new Jacksonville branch building. The Chairman said that Mr. Neely, Chairman of the Atlanta Bank, had also indicated that he would like to have Mr. Young make such a presentation.

Thereupon, Mr. Young was authorized by unanimous vote to go to Jacksonville for the purpose indicated, it being understood that the necessary equipment would be shipped to Jacksonville for the program and that a member of the staff of the Division of Research and Statistics would accompany Mr. Young for the purpose of operating the equipment.

Governor Robertson then read a draft of letter prepared for his signature and addressed to Mr. C. S. Young, President of the Federal Reserve Bank of Chicago, as follows:

"For some time consideration has been given and effort has been expended to effect closer integration of the System's bank supervisory and examination procedure with a view to achieving maximum effectiveness and benefit to member banks. It is believed that some progress has been made.

10/14/52

-7-

"The problem is difficult because of the structure of the System and the policy of decentralization as applied to the bank supervisory process. Under this policy the State member banks are examined by examiners for the Reserve Bank of the District in which they may be located and direct supervisory contact is maintained by the Reserve Bank. The function of the Board's Division of Examinations in direct relation to this process is to review and coordinate this activity for the purpose of maintaining equitable uniformity in application and, most importantly, a uniformly high standard of procedure and actual performance. Indirectly, the Division participates in the supervisory process as applied to individual banks through analysis and preparation for submission to the Board of applications, such as applications for approval of establishment of branches or mergers, arising in the administration of statutory responsibilities which the Board cannot delegate.

"The policy of decentralization is believed to be sound and there is no disposition to depart from it. However, it can operate to best advantage only when there is full understanding of the detailed operating procedure in the Division of Examinations and the reasons therefor by the staffs of Examination Departments at the Reserve Banks. This can best be obtained through having senior personnel of the Bank Examination Departments of the several Federal Reserve Banks actually participate for a period in the operation of the Division. In the few instances in which such experience has been available to individuals now connected with the Bank Examination Departments of the Federal Reserve Banks it is believed to have been of great value to the individuals, the Reserve Banks and the Board.

"It is contemplated that, for some time at least, two men from the Examination Departments of the Reserve Banks might be assigned to duty with the Division of Examinations in Washington for periods of six months each. Not more than one man from any one Reserve Bank would be so assigned at any given time and, of course, the plan would contemplate inclusion of one man from each of the Reserve Banks as rapidly as this may be accomplished. Experience may indicate that the suggested period of six months, now considered the desirable minimum, is too long or it may be found desirable for all

10/14/52

-8-

"parties that more than two such men be assigned to the Division at one time.

"In this connection, we would be glad to have you consider whether it would be practicable to assign Mr. Helmer, Mr. Scanlon or Mr. Ross of your staff to the Board's Division of Examinations for a period of six months. It would be left to your discretion as to whether the individual selected would remain on the pay roll of the Reserve Bank or be transferred to the pay roll of the Board for the period. It is felt that such action would be mutually beneficial and it is hoped that your reaction will be favorable."

Governor Vardaman stated that he was in accord with the proposed arrangement for bringing senior personnel of the bank examining departments of the several Federal Reserve Banks to Washington to participate in the operation of the Division of Examinations but that he felt appropriate allowances should be made to cover not only the costs incurred by the examiners but also members of their families, if it was found desirable to have them accompany the examiner for part or all of the period of his stay in Washington.

Thereupon, the letter to Mr. Young was approved unanimously together with a similar letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, with the understanding that Governor Robertson was authorized to work out appropriate arrangements for reimbursing any Reserve Bank examiners who might be brought to Washington under the plan for subsistence and other travel expenses.



10/14/52

-9-

At this point Mr. Solomon withdrew from the meeting and the following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 8, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 9 and 10, 1952, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated October 6, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Elva MacMillan, Statistical Clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business October 17, 1952.

Approved unanimously.

Letter to Mrs. Georgia Neese Clark, Treasurer of the United States, Room 2108, Main Treasury Building, Washington, D. C., reading as follows:

"This refers to your letter of October 1, 1952, regarding a proposed revision in the method of financing the cost of redeeming Federal Reserve currency.

"You state that a letter is now being prepared, addressed to the Comptroller General, requesting an opinion as to whether the cost of this operation may be financed from advances by the Board on a quarterly or other periodic basis and that if the Comptroller rules favorably it is proposed to present the matter

10/14/52

-10-

"to the Bureau of the Budget and the Congress for approval.

"Upon receipt of the informal inquiry by your office concerning the proposal, we communicated with the Federal Reserve Banks asking whether they saw any objection to the adoption of a procedure whereby advance payment would be made for the expenses of the Currency Redemption Division in redeeming Federal Reserve currency. Replies have been received from all the Federal Reserve Banks and none sees any objection to the proposed procedure. The Board also sees no objection."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, and the Vice Presidents in charge of Branches, reading as follows:

"For many years it has been the practice to schedule the weekly COND wire (telegraphed Statement of Condition of the Twelve Federal Reserve Banks Combined--Form F. R. 408) for transmission to the Reserve Banks at 3:10 p.m. each Thursday. This schedule was established in order to assure that important information of this nature would not be made available until the New York Stock Exchange had closed its trading for the day. Occasionally, of course, the statement is not ready in time for transmission at 3:10 p.m., in which case it is telegraphed as soon as it becomes available.

"The Board feels that this has proved to be sound and desirable policy and should be continued. To do this, however, some change in the scheduled hour of release is necessary since, effective September 29, 1952, the New York Stock Exchange has remained open for trading until 3:30 p.m. each business day, Mondays through Fridays, although it no longer is open on Saturdays. It is understood that the New York Curb Exchange and some of the commodity exchanges likewise have extended their trading hours until 3:30 p.m.

10/14/52

-11-

"each business day and are closed on Saturdays.

"In order to maintain the established policy with a minimum of inconvenience to Federal Reserve Banks and the press, the procedure outlined in the enclosed memorandum will be observed hereafter with respect to the Board's weekly statement on condition of the Federal Reserve Banks.

"In order to make it possible for the Board to issue the weekly Federal Reserve Bank condition statement by the scheduled hour, it is essential that the weekly Form 34 telegram be dispatched as early as possible, and in any event not later than 1:30 p.m., Washington time, EST or DST as the case may be. This is the current practice that has been followed for several years.

"These instructions supersede those contained in Mr. Smead's letter of April 12, 1944, and all other instructions regarding release times of the weekly condition statement of the Federal Reserve Banks. For convenient reference, corresponding instructions are also enclosed pertaining to the release of the Board's weekly reporting member bank statements."

Approved unanimously.

Letter to the Board of Directors, Manufacturers Trust Company,

55 Broad Street, New York, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment and operation of a branch office at 570 Lexington Avenue, New York, New York, by Manufacturers Trust Company, provided the branch is established within six months from the date of this letter and provided further that formal approval is obtained from the appropriate State banking authorities."

Approved unanimously, for  
transmittal through the Federal  
Reserve Bank of New York.

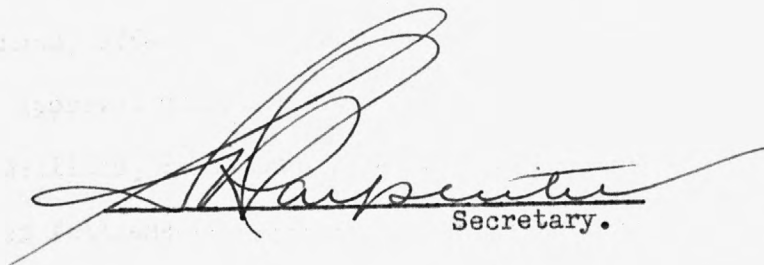
10/14/52

Letter to the Board of Directors, Manufacturers Trust

Company, 55 Broad Street, New York, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment and operation of a branch by you at 67 Broad Street, New York, New York, provided the branch is established within six months from the date of this letter."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York.

  
Secretary.