

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 5, 1953. The Board met in the Board Room in executive session at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman
Mr. Evans
Mr. Vardaman
Mr. Mills
Mr. Robertson

At 10:20 a.m. the following members of the staff were called into the meeting:

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Boothe, Administrator, Office of
Defense Loans
Mr. Noyes, Assistant Director, Division of
Research and Statistics
Mr. Hackley, Assistant General Counsel

There was a continuation of the discussion which began in executive session concerning the letter dated December 29, 1952, from Mr. Larson, Administrator of General Services Administration, which was read at the meeting of the Board last Friday, January 2, regarding the question whether a payment of \$400,000 to Dillon, Read & Company for "financial services and out-of-pocket expenses" might properly be charged against the proceeds of the V-loan to Reynolds Reduction Company guaranteed by General Services Administration.

The staff had prepared a preliminary draft of reply to Mr. Larson, and the draft was discussed. There was also discussion of the extent of

1/5/53

-2-

the authority delegated to the Board by Executive Order 10161 in connection with the V-loan program, and the facts of the loan to Reynolds Reduction Company, insofar as they were known to the Board.

It was brought out that at no time during discussions with the Board prior to the execution of the loan documents did General Services Administration raise any question with respect to a proposal that the borrower pay out of the proceeds of the loan a fee to Dillon, Read & Company and Reynolds & Company for financial services. It was also stated that although representatives of the Federal Reserve Bank of New York had some recollection that a "finder's fee" was alluded to in the course of negotiations between representatives of the borrower and General Services Administration which preceded the loan, it was understood that any such fee, if paid, was to be paid by Reynolds Metals Company, parent company of the borrower.

Reference was made to the understanding set forth in a letter from the Federal Reserve Bank of New York to the Board, dated June 13, 1952, the original of which was transmitted to General Services Administration in accordance with the customary procedure, that General Services Administration, in view of its close familiarity with all of the legal aspects of the proposed credit, would review and pass upon the adequacy and acceptability of the various loan documents.

1/5/53

-3-

It was also stated that in accordance with the understanding at the meeting of the Board on December 31, 1952, Messrs. Boothe and Noyes had talked with officers of all of the Federal Reserve Banks by telephone to ascertain whether the Reserve Banks were aware of any other V-loan where a "finder's fee" or similar charge was involved, and that none of the Reserve Banks knew of any such fee having been provided for or paid.

Following further discussion, Governor Robertson proposed a revision of the draft of reply to Mr. Larson, and it was understood that a draft along those lines would be prepared for consideration by the Board this afternoon.

The meeting then recessed and reconvened at 2:30 p.m., with the same attendance as at the conclusion of the morning session except that Mr. Thurston, Assistant to the Board, also was present.

A revised draft of letter to Mr. Larson, prepared pursuant to the understanding this morning, was presented and discussed.

During the course of the discussion, Chairman Martin joined the meeting.

Several suggestions for rewording of the draft were advanced, and it was understood that Mr. Vest would prepare another draft in the light of these suggestions for consideration at the meeting of the Board tomorrow.

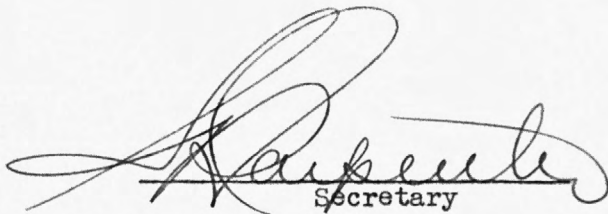
At this point all of the members of the staff except Messrs.

1/5/53

-4-

Carpenter and Kenyon withdrew from the meeting and the following additional action was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 2, 1953, were approved unanimously.


Secretary