

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 16, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Leonard, Director, Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Young, Director, Division of
Research and Statistics
Mr. Youngdahl, Assistant Director, Division of
Research and Statistics

There was an informal discussion of open market policy and procedures.

Following this discussion, Chairman Martin said that it was anticipated that the directors of the Federal Reserve Bank of San Francisco, at their meeting today, would act to increase the discount rate at that Bank from 1-3/4 to 2 per cent, and that he assumed the Board was agreeable to approving action by the San Francisco Bank to change its schedule of rates within the limits approved for other Federal Reserve Banks at the meeting of the Board on January 15.

By unanimous vote, the Secretary was authorized, upon receipt of information

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that the action referred to by Chairman Martin had been taken by the Federal Reserve Bank of San Francisco, to advise the Bank that the Board approved the action effective the following business day.

Secretary's Note: Pursuant to the above action, a telegram reading as follows was sent to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco on January 19, 1953:

"Reurtel January 19, Board approves effective January 20, 1953, rates of 2 per cent on discounts and advances to member banks under Sections 13 and 13a; 2-1/2 per cent on advances under Section 10(b); 2 per cent on discounts for Federal Intermediate Credit Banks; 3 per cent on advances to individuals, partnerships or corporations other than member banks under last paragraph of Section 13; and following rates on loans and commitments under Section 13b.

"On loans direct to industrial or commercial businesses, including loans made in participation with financing institutions, 3 to 5-1/2 per cent;

"On commitments to financing institutions (provided that no commitment shall be given on a loan on which borrower is charged more than 5-1/2 per cent--

(a) undisbursed portion of loan, 1/4 per cent,

(b) disbursed portion of loan, 10 to 25 per cent of loan rate with minimum of 1/2 per cent.

"Otherwise, Board approves establishment, without change, of rates of discount and purchase in Bank's existing schedule. Board will announce change in discount rate immediately.

"It is noted that the increase in maximum rate on loans to industrial or commercial businesses results in increase in maximum commitment rate to 1-3/8 per cent."

The meeting then adjourned. During the day the following additional actions were taken by the Board, with all of the members present:

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Reserve System on January 15, 1953, were approved unanimously.

Memorandum dated December 9, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective January 18, 1953:

| <u>Name</u> | <u>Title</u> | <u>Salary Increase</u> | |
|-------------------------|--------------------------------|------------------------|-----------|
| | | <u>From</u> | <u>To</u> |
| Elizabeth L. Carmichael | Chief, Publications Section | \$5,750 | \$5,875 |
| Mary E. Dorsey | Printing Clerk | 4,580 | 4,705 |
| Helen L. Hulen | Publications Clerk | 4,420 | 4,545 |
| J. Robert Surguy | Printing Clerk | 4,170 | 4,295 |
| Woodley Boothe | General Mechanic | 3,935 | 4,035 |
| Henry Tate | Messenger | 2,792 | 2,872 |
| James T. Stewart | Operator (Mimeograph) | 2,632 | 2,712 |

Approved unanimously.

Memorandum dated January 12, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending that the temporary appointment of Aaron Dortch, Cafeteria Laborer in that Division, be extended on a temporary-indefinite basis with no change in his present basic salary of \$2,552 per annum, effective January 17, 1953.

Approved unanimously.

Memorandum dated January 13, 1953, from Mr. Marget, Director, Division of International Finance, recommending that the resignation of Jean M. Connors, Clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business on January 13, 1953.

Approved unanimously.

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Letter to Mr. Clarke, Secretary, Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of January 5, 1953, advising that, at the request of the Central Bank of Ceylon, the leave of absence without pay granted to Mr. John F. Pierce, Examiner, Examining Division, Bank Examinations Department, has been extended for a period of one year commencing upon the expiration of his present leave on March 4, 1953. It is noted from your letter that the extension is to be on the same terms as the original leave, and will permit Mr. Pierce to continue his services as an adviser to the Central Bank of Ceylon on problems of commercial bank examination and supervision.

"The Board of Governors interposes no objection to the arrangements with respect to Mr. Pierce as described in your letter."

Approved unanimously.

Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of January 9, 1953, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Richmond:

Marvin A. Palmore

Aubrey V. Tucker

Kenneth A. Adams

Albert K. Atkinson

John Beducian

Luther Flippen

George H. Shelby

Clarence H. Robinson

Earle G. Fellows

Charles R. Teal

Perry J. Churchwell, Jr.

Boyd Z. Eubanks

"Appropriate notations have been made in our records of the names to be deleted from the list of special examiners and special assistant examiners."

Approved unanimously.

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

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"In accordance with the request contained in your letter of January 8, 1953, the Board approves the appointment of Daniel Hale, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Atlanta effective February 1, 1953."

Approved unanimously.

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

"In accordance with the request contained in your letter of January 5, 1953, the Board approves the designation of the following named employees as special assistant examiners for the Federal Reserve Bank of San Francisco:

| | | |
|-----------------|--------------------|------------------|
| | <u>Head Office</u> | |
| E. E. Bernstein | W. H. Lewis | J. E. Walsh |
| W. Bobzien | J. B. Palm | C. H. Whitworth |
| | <u>Los Angeles</u> | |
| W. H. Morris | D. L. Shaffer | G. R. Sherman |
| | <u>Portland</u> | |
| E. L. Boyer | E. V. Risberg | E. T. Opdenweyer |
| D. H. Goetz | H. H. Morse | |

"The Board also approves the designation of W. W. Denney as a special assistant examiner for the specific purpose of rendering assistance in the examination of State member banks, exclusive of any banks in which the Transamerica Corporation has any interest.

"Appropriate notations have been made in our records of the names to be deleted from the list of special assistant examiners."

Approved unanimously.

Letter to the Board of Directors of The Syracuse Trust Company, Syracuse, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors

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"approves the establishment and operation of branches by The Syracuse Trust Company, Syracuse, New York, at the following locations:

186 West First Street, Oswego, New York
28 East Bridge Street, Oswego, New York
35 South First Street, Fulton, New York
State and Bridge Streets, Phoenix, New York
provided the merger with the Oswego County National Bank, Oswego, New York, is effected substantially in accordance with the terms of a merger agreement dated December 11, 1952, a copy of which was submitted with the Reserve Bank's letter, and formal approval is obtained from the appropriate State authorities.

"The authority to establish the branches will be continuing and accrue to Marine Midland Trust Company of Central New York, in the event that name has been adopted by your institution prior to the time the branches are established."

Approved, for transmittal
through the Federal Reserve Bank
of New York, Governor Evans voting
"no" for reasons previously stated
in connection with the consideration
by the Board of applications for
branches of banks in the Marine Mid-
land group.

Letter to the Board of Directors of the Bankers Trust Company,
16 Wall 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 hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the merger of Bankers Trust Company and The Bayside National Bank of New York, Bayside, New York, without increasing the capital of the continuing bank to an amount which will equal the aggregate capital of the two banks involved in the merger, and also approves the establishment and operation of branches by Bankers Trust Company at 41-22 Bell Boulevard, Bayside, New York, 221-45-50 Horace Harding Boulevard, Bayside, New

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"York, 186-03 Union Turnpike, Flushing, New York, and 250-01 Northern Boulevard, Little Neck, New York, upon condition (a) that formal approval is obtained from the appropriate State banking authorities, and (b) that the merger is effected substantially in accordance with the merger agreement dated December 16, 1952, a copy of which was forwarded to this office by the Reserve Bank in submitting the request."

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

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C. (Attention: Mr. W. M. Taylor, Deputy Comptroller of the Currency), reading as follows:

"Reference is made to your letter of January 5, 1953, requesting that a reinvestigation be made of the application to organize a new national bank at Mission, Kansas, under the title of Mission National Bank. A previous report on this application was submitted to your office by the Federal Reserve Bank of Kansas City on May 3, 1951.

"We have received a report of the reinvestigation of the application by an examiner for the Federal Reserve Bank of Kansas City setting forth information with respect to factors usually considered in connection with such applications. Among the unfavorable factors are lack of definite arrangements for adequate management and the age of the principal applicants, one of whom is 89 and the other 77 years old. Other factors which are not clear are the need for additional banking services in Mission, and the future earnings prospects of the bank. The favorable factors appear to be the lack of competition in the town of Mission, the character of many of the proposed directors, and the apparent ability to provide adequate capital. In this connection it is noted that three of the directors of the proposed bank are directors of the Overland Park State Bank located 3-1/2 miles southwest of Mission and that the managing officers of the Mission State Bank own a substantial block of stock in the newly organized bank in Roeland Park, 1.3 miles north.

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"Banking facilities in the area have recently been augmented by the opening of the Roeland Park State Bank about 1.3 miles from the location of the proposed bank and a charter has been granted for another State bank in Kansas City, Missouri, about 3-3/4 miles from the proposed location. With the opening of the latter bank there will be nine banks operating within a radius of four miles of Mission.

"It is believed that the overall picture calls for an adverse recommendation. However, if the application is approved it would seem desirable to require the applicants to provide a capital structure of \$300,000; to provide management satisfactory to your office; to effect a distribution of the stock in such a manner that the death of the principal applicants is not likely to result in a change of management; and to limit the bank's investment in bank building to an amount deemed appropriate by your office but not to exceed one-third of its capital structure.

"The Board desires that you be informed that it or its representatives will be glad to discuss any aspects of this case with you or representatives of your office if you so desire."

Approved unanimously, with
a copy to the Federal Reserve Bank
of Kansas City.

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

"This refers to your letter of January 2, 1953, concerning the proposed purchase by your Bank of a lot, designated as Lot 13, adjoining the property now owned at the Los Angeles Branch.

"The Board will interpose no objection to the purchase of this lot at a price not to exceed \$80,000 and notes that there is a possibility of obtaining it at a slightly lower figure, if you are in a position to make a firm offer."

Approved unanimously.

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Letter for the signature of the Chairman to Mr. Javier Marquez, Director, Center for Latin American Monetary Studies, Banco de Mexico, Apartado 98 bis, Mexico, D. F., reading as follows:

"I am glad to inform you that the Board has now given favorable consideration to your letter of December 5 regarding the collaboration of the Federal Reserve System with the Center for Latin American Monetary Studies, and that we will endeavor to provide the assistance that you request, assuming of course that there do not arise any unforeseen contingencies that might make it impossible for the System to send the necessary people, and assuming that the remaining details of the arrangements can be satisfactorily worked out.

"The assistance to be provided would include the following:

(1) The giving of three lectures and one or two seminars on the Federal Reserve System, during the first or second week of August. We contemplate that Mr. Donald S. Thompson, Vice President of the Federal Reserve Bank of Cleveland, might fill this assignment.

(2) The giving of two or three lectures and one seminar on bank examination and bank supervision, which would probably be desired during July. We contemplate that Mr. Glenn M. Goodman, Assistant Director of the Board's Division of Examinations, might fill this assignment.

(3) The advice of Mr. Frank M. Tamagna regarding the organization of a course of lectures on central banking and monetary policy and regarding the selection of reading material for a series of seminars on this subject, and the assistance and participation of Mr. Tamagna for a period of about two weeks during the presentation of this course in June or July.

"It is understood that you may later wish to submit a further request concerning certain lectures by Mr. Arthur W. Marget.

"Transportation of the participants to and from Mexico City and subsistence allowances would be provided by the Board -- or, in the case of Federal Reserve Bank officials, by the respective Federal Reserve Banks.

"It is understood that the Center desires that the lectures be delivered in Spanish, but that if the prospective lecturers will supply drafts of the proposed lectures in advance in English, the Center will arrange to supply Spanish translations.

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"As to any further questions which may arise regarding the arrangements for this assistance, it will be appreciated if you will communicate with Mr. Lewis N. Dembitz, Assistant Director of the Board's Division of International Finance, whom we have asked to collaborate with you on this matter.

"The Board has noted, with approval, that the Federal Reserve Bank of New York proposes to make available the services of Mr. O. Ernest Moore to lecture at the Center. The Board also notes that the sending of other personnel from the Federal Reserve Bank of New York is under consideration.

"I sincerely trust that the course of training to be undertaken by the Center, with such assistance as the Federal Reserve and other interested institutions can provide, will be highly successful in achieving its objectives."

Approved unanimously.

Memorandum dated January 12, 1953, from Mr. Bethea, Director,

Division of Administrative Services, reading as follows:

"It is expected that the Board publication Federal Reserve System -- Its Purposes and Functions will be revised about the middle of 1953. There are presently on hand 1200 paper-bound volumes of this booklet, which constitute the bulk of its distribution since they are made available without charge. In order to meet the demands for this form of the publication during the next six months (from January through June 1952 there were 18,512 copies distributed) it will be necessary to print additional copies in the Board's plant, for which provisions were included in the 1953 budget.

"However, there are presently on hand 9900 cloth-bound volumes of this booklet; of which there were 789 distributed throughout the entire year 1952. Current Board policy provides for a charge of 75 cents per copy for cloth-bound volumes, (50 cents per copy when ordered in quantities of 10 or more for single shipment) except to certain groups, principally teachers, certain libraries, and Government agencies. During the first six months of 1952 the Board received \$52.50 from the sale of these volumes.

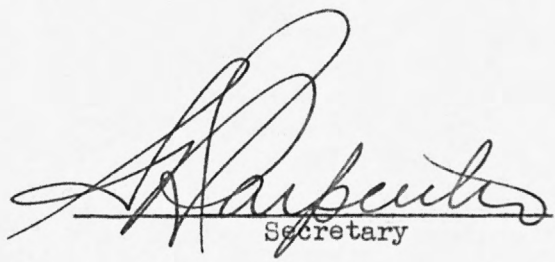
"Since the revision will result in these cloth-bound copies being obsolete and the number on hand is considerably in excess of the expected requirements between now and the time that the

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"revision is expected to be printed, it is recommended that the Division of Administrative Services be granted authority to distribute the cloth-bound copies without charge in lieu of paper-bound copies."

Approved unanimously.


Secretary