

2/11/53 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, February 11, 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. Carpenter, Secretary

Mr. Sherman, Assistant Secretary

Mr. Kenyon, Assistant Secretary

Mr. Riefler, Assistant to the Chairman

Mr. Leonard, Director, Division of Bank Operations

Mr. Vest, General Counsel

Mr. Young, Director, Division of Research and Statistics

Mr. Marget, Director, Division of International Finance

Mr. Solomon, Assistant General Counsel

Mr. Dembitz, Assistant Director, Division of International Finance

There was presented a request that Tynan Smith, Economist in the Division of Research and Statistics, be authorized to travel to Ann Arbor, Michigan, on February 11 and 12, 1953, to confer with the staff of the University of Michigan Survey Research Center concerning tabulating plans for the 1953 Survey of Consumer Finances.

Approved unanimously.

At the request of Chairman Martin, Mr. Marget made a statement concerning the possibility of requests being instituted by foreign governments for currency stabilization credits. He referred first to

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the final communique of the Commonwealth Prime Ministers' Conference, held in London in November 1952, which stated that "an integral part of any effective multilateral system is the restoration of the convertibility of sterling" and maintained that one of the conditions for achieving convertibility would be "the availability of adequate financial support through the International Monetary Fund, or otherwise". It had now been announced, Mr. Marget said, that Foreign Minister Eden and Chancellor of the Exchequer Butler would arrive in the United States for discussions of the British situation with United States Government officials early next month, and he felt that in all the circumstances there was reason to believe that they, and later representatives of other governments, would raise the question of stabilization credits.

Mr. Marget referred to the fact that for some time the Staff Group on Foreign Interests, at the request of the Policy Group on Foreign Interests, had been preparing papers and holding discussions regarding the principles and procedures involved in the extension of stabilization credits, and he said that it was the feeling of the Staff Group at its meeting on February 3, 1953, that it would be appropriate to raise for consideration the suggestion that discussions be initiated by the Policy Group with the Secretary of the Treasury or his immediate assistants in order to obtain agreement to the effect (1) that the Treasury Department and the Federal Reserve System both have a continuing interest in all questions relating to

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stabilization credits, and (2) that standing groups of Treasury and Federal Reserve officials, at both the policy and staff levels, should be set up for the purpose of considering the problems that might eventually arise in the negotiation, granting, and administration of such credits.

It was not contemplated, Mr. Marget said, that such interagency discussions would involve the making of any commitments on the part of the System but it was felt that knowledge within the Government that the Treasury and the Federal Reserve had the problem under consideration might tend to keep any other Government agency not entirely familiar with the purpose and nature of "true" stabilization credits from making any commitment or statement on the subject should that agency be approached by representatives of a foreign government.

There ensued a discussion of questions that might arise in the event of an inquiry regarding a stabilization credit, particularly by the British, including the channels through which such an inquiry might be made, possible alternatives to stabilization credits, the possible size of such credits, and the statutory authority for the granting of stabilization credits by the System. Regarding the suggestion of the Staff Group on Foreign Interests that discussions with the Treasury Department might be initiated, apprehension was expressed that any knowledge of the fact that the subject was under discussion by officials of those agencies might be interpreted to mean that the United States Government,

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through those agencies, was preparing to receive requests for stabilization credits.

During the foregoing discussion, Chairman Martin was called from the meeting.

Governor Szymczak said that on the basis of discussion which he had had with Chairman Martin, he understood the Chairman's views to be that the initiation of conversations between the Treasury Department and the Federal Reserve System at this stage might be premature but that the Board should continue to watch developments closely. Chairman Martin also indicated, according to Governor Szymczak, that he might have some informal discussion with the Secretary of the Treasury.

Governor Szymczak indicated that he concurred in the procedure suggested by Chairman Martin, as did the other members of the Board.

Governor Szymczak suggested that at meetings of the Board in the near future there be discussions of the background papers on stabilization credits that had been prepared by members of the Staff Group on Foreign Interests so that the Board might have a full understanding of the problem in the event that some request involving the System should be made at some point.

Mr. Young mentioned that the question might come up through the National Advisory Council, perhaps by way of a study by the Council of any documents that might be presented by the British during their

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forthcoming visit, and that the staffs of the agencies represented on the Council might be requested to do exploratory work.

Mr. Marget said that to date nothing regarding the matter had come up in the Council other than staff committee discussion of historical material which is freely available, but that if it did the staff would of course come back to the Board for instructions before entering into any commitments. He added that so far the Board's staff had limited its discussions of the matter exclusively to conferences with members of the staff of the Federal Reserve Bank of New York through the medium of the Staff Group on Foreign Interests.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 10, 1953, were approved unanimously.

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

"The Board of Governors approves the reappointments of Messrs. Arthur G. Nelson, Edward J. Noble, and William H. Pouch as members of the Industrial Advisory Committee for the Second Federal Reserve District to serve for terms of one year each beginning March 1, 1953, in accordance with the action taken by the board of directors, as reported in your letter of February 5, 1953.

"It is noted from your letter that, in view of the small volume of applications for loans under Section 13b of the

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"Federal Reserve Act, the directors consider it inadvisable at this time to seek additional members of the Committee to fill the two existing vacancies."

Approved unanimously.

Letter to Mr. Leach, Chairman of the Conference of Presidents of the Federal Reserve Banks, prepared pursuant to action taken at the meeting on January 29, 1953, and reading as follows:

"You will recall that the Presidents' Conference of September 23, 1952, agreed to accept the recommendation of the Committee on Personnel that a death benefit of \$1,000 be made available to Bank employees retiring on Service retirement at age 65, with the understanding that if the Board should concur in the recommendation of the Conference in principle, the details of the plan and a more precise recommendation would be provided.

"Since this suggestion was first advanced, Reserve Bank employees have become eligible for Social Security benefits, which include a small payment at death, and group life insurance in an amount equal to one year's salary whenever death occurs during active service. In addition, the Retirement System of the Federal Reserve Banks permits a retiring employee to provide a lump sum death benefit after he retires if he desires to do so.

"The first two items mentioned above, while not taking the place of a lump sum payment upon death after retirement, are major additions to the total benefits provided for System employees, and the Board believes it would not be justified in approving at this time a further enlargement of benefits in the manner recommended."

Approved unanimously.

Letter to The Houghton National Bank, Houghton, Michigan, reading as follows:

"This refers to the resolution adopted on October 8, 1952, by the board of directors of your bank, signifying the

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"bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k).

"Since it may be necessary for you to file a certified copy of the Board's certificate with the State authorities in connection with the release of the securities which you have deposited with them, such a copy is enclosed herewith."

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

Memorandum dated January 26, 1953, from the Division of Examinations, recommending for reasons stated and subject to opinions of the Legal Division and the Office of the Solicitor as to the applicability of the Clayton Act, that no action be taken by the Board in connection with advice contained in a letter dated January 6, 1953,

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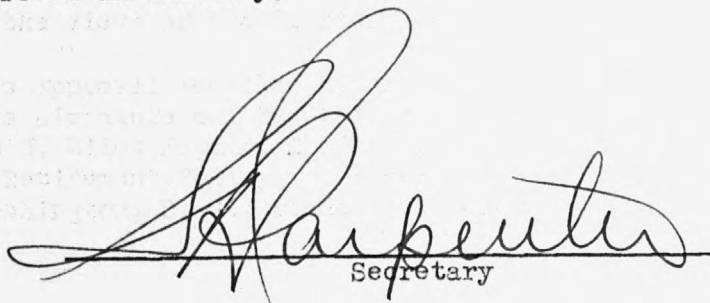
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from First Security Corporation, Ogden, Utah, a holding company affiliate, that the Corporation had entered into an option for the acquisition of all of the capital stock of Commercial National Bank of Smithfield, Utah. The memorandum stated that the Corporation expected to exercise its option and had stated its intention to make application to the Comptroller of the Currency for permission for First Security Bank of Utah, National Association, of Ogden, Utah (a controlled bank) to take over the assets and assume the liabilities of the Smithfield bank and to establish a branch at Smithfield.

Memorandum dated February 2, 1953, from Mr. Vest, General Counsel, discussing the matter and stating that there appeared to be nothing before the Board for action at this time.

Memorandum dated January 30, 1953, from Mr. Chase, Assistant Solicitor, expressing the opinion that there would seem to be no proper basis for a Clayton Act proceeding against First Security Corporation at this time.

Approved unanimously.


Secretary