

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 12, 1953. The Board met in executive session in the Board Room at 10:00 a.m.

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

Following the executive session, the Secretary was informed by the Chairman that the following actions had been taken:

Unanimous approval was given to a letter for the signature of the Chairman to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This letter is in response to yours of February 3 requesting an expression of the views of the Board with respect to S. 511, a bill 'To establish a Commission on the Public Debt of the United States'.

"This bill deals with a matter of great importance to which the new Secretary of the Treasury and his assistants are giving active consideration at the present time. Undoubtedly, the most effective procedure for a study of this problem would be one which would have the support and approval of the Treasury Department. Any other arrangement at this particular time might result in confusion and unnecessary delay in working out constructive policies in this field. It is understood that the Senate Finance Committee has requested the views of the Treasury on the bill."

Unanimous approval was also given to a letter for the signature of the Chairman to the Honorable H. Eliot Kaplan, Chairman, Committee on Retirement Policy for Federal Personnel, Washington, D. C., reading as follows:

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"This letter is in response to yours of February 4, 1953, in which you request that I appoint someone from the Board's organization to serve as my alternate at meetings or conferences of the Committee on Retirement Policy for Federal Personnel. I have asked Mr. A. L. Mills, Jr., a member of the Board of Governors, to serve in this capacity and whenever possible he will attend the meetings of the Committee in my absence."

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 11, 1953, were approved unanimously.

Letter to the Board of Directors, Savannah Bank & Trust Company of Savannah, Savannah, Georgia, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors approves the establishment and operation of a branch at the intersection of Skidaway Road and Victory Drive, in the City of Savannah, Georgia, by the Savannah Bank & Trust Company of Savannah, provided formal approval of the appropriate State authorities is obtained and such branch is established within six months from the date of this letter."

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

Letter to W. B. Hibbs & Company, Hibbs Building, Washington, D. C., reading as follows:

"This refers to your letter of January 27, 1953, concerning the application of Regulation T, particularly section

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"4(h) thereof relating to special subscriptions accounts (12 C.F.R., 220.4(h)).

"You indicated that, through the exercise of subscription rights pursuant to section 4(h), one of your customers acquired convertible debentures of Consolidated Gas and Electric of Baltimore (\$1,000, 3-1/2s, 1967), and that such debentures continue to be held in the customer's special subscription account since the debit in connection therewith has not been reduced to an amount which would permit transfer of the debentures to a general account under section 4(h)(2). You indicated further that, after July 1, 1953, each such debenture will be convertible into 50 shares of common stock upon surrender of the debenture and tender of \$150, and that the sum so required would be paid by the customer in cash.

"Your question was whether such a conversion properly may be effected in the customer's special subscription account notwithstanding the fact that the debit balance thereof described above should remain unchanged.

"While the exercise of the conversion privilege might well result in an increase in income to the customer through earnings on the stock greater than his income from the debentures, the concession granted by present section 4(h), as you pointed out, is coupled with limitations designed to encourage qualification of items in a special subscription account for transfer to a general account. In the Board's view, a withdrawal of the debentures to effect a conversion in the circumstances described by you would constitute a 'withdrawal' for the purposes of the limitation in section 4(h)(2) and, therefore, would be contrary to the regulation. There is nothing elsewhere in the regulation which would operate in the case presented as an exception to the view just stated. Whether or not such view would apply to an exchange of securities in connection with a corporate merger, would depend on the facts and circumstances of the particular case.

"Enclosed herewith is a copy of Regulation T, as amended. For the convenience of persons interested in the regulation, there is set forth therein a statement on page II concerning inquiries regarding the regulation. This statement is called to your attention in the event that you may have further questions concerning the regulation. The City of Washington is

