

Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Tuesday, February 24, 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. Vest, General Counsel

Mr. Noyes, Assistant Director, Division of
Research and Statistics

Mr. Cherry, Legislative Counsel

There was presented a draft of letter for the signature of the
Chairman to Mr. Charles H. Kendall, General Counsel of the Office of
Defense Mobilization, prepared in response to the request made by Mr.
Kendall in a telephone conversation with Mr. Vest for the views of the
Board on Bill S. 753, to provide stand-by economic controls, in connection
with the preparation for hearings on the bill to be held by the Senate
Banking and Currency Committee.

At the conclusion of a discussion,
during which several amendments were
made to the draft, unanimous approval
was given to a letter to Mr. Kendall
in the following form:

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"This refers to your recent telephone call to the Board's General Counsel, in which you indicated that you would like, if possible, to obtain the viewpoint of the Board on Senator Capehart's bill, S. 753, to provide standby economic controls, in connection with your preparation for the Senate Committee hearings on this bill.

"Title VI of the bill would provide standby authority for regulation of consumer credit and real estate construction credit on the same basis as provided in the original Defense Production Act of 1950 and without the restrictions placed upon the exercise of these authorities by the amendments to the Defense Production Act enacted in 1951 and 1952. Neither consumer credit nor real estate credit regulations could be imposed, however, unless the President found it to be necessary in the interest of national security or economic stability, after consulting with the National Advisory Council which would be established by this bill.

"The Board is not seeking authority to regulate consumer credit or real estate credit at this time. If, however, Congress should wish to enact legislation giving standby powers to the Board in these fields on a flexible basis and without the restrictions imposed by the amendments of 1951 and 1952 to the Defense Production Act, the Board would not oppose the enactment of such legislation.

"On the basis of past experience with consumer and real estate credit, the Board feels that there is much to be said for legislation which would make these selective controls a permanent part of the Board's authority to regulate credit, rather than a part of a standby authority, but the Board is not prepared to recommend such permanent legislation at this time.

"With respect to authority for voluntary credit restraint programs, the Board's views are similar to those expressed above with respect to authority in the consumer credit and real estate credit field. The Board notes that the bill does not provide for an extension of this authority.

"Title III of the bill would extend until June 30, 1954, the authority of various agencies of the Government to guarantee loans for the financing of defense contracts, through the

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"instrumentality of the Federal Reserve System (the so-called V-loan Program). It is the impression of the Board that this program has been constructive and helpful to the guaranteeing agencies in facilitating defense procurement and that it should be continued.

"The other proposals in this bill involve matters which do not fall primarily within the Board's province, and the Board has not taken a position with respect to them."

At this point Messrs. Thurston, Riefler, Thomas, Vest, Noyes, and Cherry withdrew from the meeting.

Prior to this meeting there had been sent to the members of the Board copies of a draft of statement outlining the qualifications of the President and First Vice President of a Federal Reserve Bank. The draft was prepared in connection with the study being made, pursuant to the understanding at the meeting on June 6, 1952, by a special committee of the Board (Messrs. Szymczak, Mills, and Robertson) with respect to executive training and development programs at the Federal Reserve Banks, the level of employees' salaries under the job classification and salary administration program, and salaries of Reserve Bank officers.

Governor Robertson suggested that the draft be amended in the following respects:

1. By eliminating from the second paragraph on the first page a sentence reading as follows: "Should a President fall short in these qualifications and in executive and administrative ability, steps should be taken to replace him."
2. By eliminating from the following clause appearing on the fourth page the words underscored: "The First Vice President should be the chief operating officer of the bank and as such should:"

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3. By eliminating from the final paragraph, reading as follows, the portions underscored: "It is recognized that the above statement describes an ideal situation in which the president would be qualified by training and experience to discharge the primary responsibilities of the System in the monetary field and the first vice president would complement the president in relieving him of the operating details and would serve in fact as the chief operating officer of the Bank. This ideal arrangement may not always be possible because the man selected for president may have an operating background while the first vice president might be trained either in operations or in monetary policy and economics. So long as the position of the first vice president is continued in the law, the person holding that position should complement the president as much as possible so that whatever their training, experience, and background they will make a good 'team' and together discharge the responsibilities set forth above. In some cases the first vice president will be an understudy to the president and his likely successor. In other cases, however, the first vice president would be an expert in administration rather than a potential successor to the president."

The amendments to the statement suggested by Governor Robertson were accepted, and the matter was discussed at some length in the light of the concept of the duties and responsibilities of Reserve Bank presidents and first vice presidents, the functions of the Reserve Banks, the relationship between the functions of the Board and the Reserve Banks, and the salaries fixed by the Board for presidents and first vice presidents of Reserve Banks in recent years.

At the conclusion of the discussion, it was understood that further consideration of the statement would be deferred until after the next

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meeting of the Conference of Presidents of the Federal Reserve Banks.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 20, 1953, were approved unanimously.

Telegram to Mr. B. R. Prall, President, Butler Brothers, Chicago, Illinois, prepared pursuant to action taken at the meeting on February 19, 1953, and reading as follows:

"Board of Governors of the Federal Reserve System has appointed you a Class C director of the Federal Reserve Bank of Chicago for the unexpired portion of the term ending December 31, 1954, and has appointed you Deputy Chairman at the Bank for the remaining portion of the year 1953. Your acceptance by collect telegram will be appreciated."

Approved unanimously.

Letter to Mr. Quackenbush, Manager, Bank Examinations Department, Federal Reserve Bank of New York, reading as follows:

"As recommended in your letter of February 13, 1953, the Board of Governors has extended to May 10, 1953, the time within which The Marine Trust Company of Western New York, Buffalo, New York, may establish a branch in the Village of Lewiston, New York."

Approved unanimously.

Letter to the Banque de la Societe General de Belgique, Brussels, Belgium, reading as follows:

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"This refers to correspondence between the Federal Reserve Bank of New York and Mr. William C. Pierce on your behalf, with respect to the status of Banque de la Societe Generale de Belgique, Brussels, Belgium, as a holding company affiliate if a bank to be known as the Belgian-American Bank & Trust Company, New York, N. Y., is organized and is admitted to membership in the Federal Reserve System.

"The Board understands that the Banque de la Societe Generale de Belgique is a banking corporation organized and operating under the laws of Belgium; that Banque de la Societe Generale de Belgique owns stock in several other banks in Belgium; that Banque de la Societe Generale de Belgique controls the Belgian-American Banking Corporation, New York, N. Y., organized under Article XIII of the Banking Law of New York for the purpose of facilitating the financing of foreign trade; that Banque de la Societe Generale de Belgique will be a holding company affiliate of Belgian-American Bank & Trust Company through direct and indirect control of a majority of the stock of such proposed bank; that Banque de la Societe Generale de Belgique does not and will not own or control, directly or indirectly, the stock of any other banking institution in the United States; and that the Banque de la Societe Generale de Belgique does not and will not manage or control, directly or indirectly, any bank in the United States other than the Belgian-American Bank & Trust Company.

"In view of these facts, the Board has determined that the Banque de la Societe Generale de Belgique, upon organization of the Belgian-American Bank & Trust Company, and admission of the latter bank to membership in the Federal Reserve System, will not be engaged, directly or indirectly, as a business in holding the stock of or managing or controlling banks, banking associations, savings banks, or trust companies within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, the Banque de la Societe Generale de Belgique will not be deemed to be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act.

"If, however, the facts should at any time differ from those set out above to an extent which would indicate that the Banque de la Societe Generale de Belgique might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to rescind this determination and make a further determination of this matter at any time on the basis

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"of the then existing facts."

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

Letter to the Presidents of all Federal Reserve Banks reading
as follows:

"There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached, for use of State member banks and their affiliates in submitting reports as of the next call date:

Number of
copies

Form F.R. 105 (Call No. 127), Report of condition of State member banks.

Form F.R. 105e (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F.R. 105e-1 (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F.R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form F.R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

"All of the forms are the same as those used on December 31, 1952, with the exception of the change in the single-payment loan items in Schedule A, which was mentioned in our letter of December 12, 1952, transmitting the year-end forms."

Approved unanimously, with
the understanding that the letters
would be sent upon printing of the
forms.

Letter to the Chairmen of all Federal Reserve Banks reading as
follows:

"The Standing Committee of Auditors of the Federal Reserve Banks, in consultation with the Board's Division of Examinations, has ascertained that May 25, 26, and 27, 1953, would be convenient

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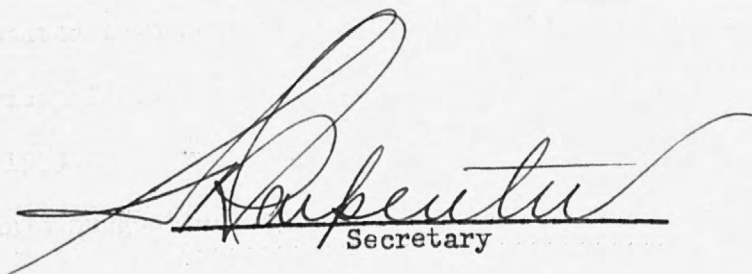
"dates for the regular biennial Conference of Auditors, and the holding of such a conference at that time has been cleared with the Chairmen's Conference. Accordingly, a Conference of Auditors will be held on those dates at the Board's offices in Washington.

"In accordance with established practice, the Standing Committee of Auditors plans to consider items for the agenda at a meeting to be held in April, and it is understood that Mr. John J. Endres, Chairman of the Committee, has requested the Reserve Bank Auditors to submit their suggestions with respect to topics for the agenda. Copies of the agenda will be furnished you as far in advance of the conference as possible.

"It is suggested that each Reserve Bank be represented at the conference by the General Auditor or Auditor and his principal assistant.

"It will be appreciated if you will inform the Board's Division of Examinations of the names of the representatives of your Bank who will attend the conference. If they would like to have us procure hotel accommodations in Washington for them, we would be pleased to do so if they will inform us of the time of their arrival. If the representatives have any preferences as to hotels we shall attempt to make arrangements accordingly."

Approved unanimously, with the understanding that copies would be sent to the Presidents and Auditors of all Federal Reserve Banks.


Secretary