

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 3, 1953.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary

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

Memorandum dated March 3, 1953, from Mr. Allen, Director, Division of Personnel Administration, recommending that Thomas N. Buckley, Telegraph Operator in the Division of Administrative Services, be detailed to the White House for a period of 30 days beginning March 2, 1953, with the understanding that the matter of Mr. Buckley's status following the completion of the 30-day detail would be presented to the Board upon receipt of a formal request from the White House.

Approved unanimously.

Letter to Mr. Henry L. Merricks, Chief, Division of Office Services, Treasury Department, Washington, D. C., reading as follows:

"The Board has considered the request contained in your letter to Mr. Bethea dated March 2, 1953 and will reimburse the Treasury for travel expenses incurred by

3/3/53

-2-

"Mr. John C. Varn, Chief of your Telegraph Office, in connection with his proposed trip from Washington to New York and return, for the purpose of attending during the week March 16-20, 1953 a class for Telegraph Supervisors to be conducted by the American Telephone and Telegraph Company at 100 William Street, New York City, as a part of the 81-D-1 Teletypewriter System training program.

"It is understood that Mr. Varn will travel on Treasury Department transportation requests, that his necessary transportation expenses, as well as the \$9.00 per diem allowed in lieu of subsistence, will conform to the Standardized Government Travel Regulations and that your office will submit, in due course, an appropriate voucher against which reimbursement can be made."

Approved unanimously.

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

"Reference is made to your letter of February 20, 1953, regarding the arrangement made with the Foreign Service Personnel Division of the Department of State under which Mr. Philip J. Glaessner, an Economist in your Research Department, was granted a leave of absence without pay for a period of one year and a half while serving as Economic Officer on the permanent Brazil-United States Commission for Economic Development.

"It is noted from your letter that, since it now appears that Mr. Glaessner will require additional time in which to conclude his assignment satisfactorily, he has been granted a further extension of this leave of absence to June 3. It is noted further that this period will include about six weeks during which Mr. Glaessner will utilize some of the State Department leave he has accumulated and also make his return trip to the United States.

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

Approved unanimously.

3/3/53

-3-

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

"Thank you for your letter of February 25, 1953, advising that at the request of the Mutual Security Agency, the Federal Reserve Bank of New York is making available to the Agency the services of Mr. Arthur I. Bloomfield, a Senior Economist in your Research Department, to enable him to join, as economic adviser, a mission, composed primarily of businessmen and headed by Mr. Brayton Wilbur, Chairman of the Federal Reserve Bank of San Francisco, being sent to the Far East to assist in an evaluation of the Agency's military and economic programs in Indo-China.

"It is noted from your letter that Mr. Bloomfield has been granted a leave of absence with pay for a period of approximately six weeks beginning February 11, 1953, with the understanding that the Mutual Security Agency will pay Mr. Bloomfield's transportation and subsistence expenses incurred during the period of his services.

"In view of the circumstances, the Board of Governors interposes no objection to the arrangement with respect to Mr. Bloomfield as described in your letter."

Approved unanimously.

Letter to Mr. McCreedy, Secretary, Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors approves the appointments of Messrs. George E. Lallou, Albert G. Frost, B. F. Mechling, Harry L. Miller, and Daniel H. Schultz as members of the Industrial Advisory Committee for the Third 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 of the Federal Reserve Bank of Philadelphia, as reported in your letter of February 24, 1953."

Approved unanimously.

3/3/53

-4-

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This is in response to your communication of February 27, 1953, requesting the views of the Board with respect to the enrolled bill, S. J. Res. 27, to amend section 2(a) of the National Housing Act, as amended.

"Section 1 of the enrolled bill is identical with the proposal which in part was the subject of the Board's report to the Bureau of the Budget dated January 30, 1953, a copy of which is enclosed for your convenient reference.

"Section 2 of the enrolled bill, which was added by amendment, would require the Federal Housing Commissioner, prior to June 30, 1954, to pay out of the capital account of the Title I Insurance Fund to the Secretary of the Treasury the amount of \$8,333,313.65 which constitutes the Government's investment in the capital account of the Title I Insurance Fund. The Board has no objection to this provision."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, prepared pursuant to action taken at the meeting on December 18, 1952, and reading as follows:

"On December 6, 1951, the Board addressed a letter to the Presidents of all Federal Reserve Banks concerning a tax survey to be made by means of a 'Confidential Tax Questionnaire' directed, through the Federal Reserve Banks, to a sample of member and nonmember insured commercial banks. The questionnaire covered primarily the years 1950 and 1951, and an analysis of the findings and statistical data were made available in the June 1952 issue of the Federal Reserve Bulletin.

"With the concurrence of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, the Board of Governors will supplement certain portions of this study with corresponding data for 1952. The new survey will utilize data from official condition and earnings reports, plus a minimum of additional data to be obtained from a supplement to the earnings and dividends report for the calendar year 1952. There is attached a copy of the supplement, devised by the sponsoring



3/3/53

-5-

"Federal banking supervisory agencies in collaboration with the Treasury and the Bureau of the Budget.

"It should be noted that the current survey is jointly sponsored by the three Federal banking supervisory agencies, so that they will be in a position to furnish up-to-date material on the excess profits tax situation of banks in the event that Congress should ask for such information. The previous survey, on the other hand, was initiated by bankers' groups and these groups were the prime sponsors.

"The banks to be covered in the 1952 survey comprise those sample banks selected for the previous survey that completed and returned usable copies of the original questionnaire covering 1950 and 1951. A supply of supplements and a list of the sample banks in your district are being mailed under separate cover. Upon receipt of the list of banks, please transmit three copies of the supplement to each sample bank so as to arrive around March 15. The sample banks should be requested to return two completed copies of the supplement to your Bank by March 25, 1953.

"For your information, the Federal banking supervisory agencies do not wish to place this supplement in the mandatory category but, at the same time, it is desirable that every effort be made to obtain complete reports from all sample banks. In view of the joint sponsorship of the project by the three Federal banking supervisory agencies, the simplicity of the supplement, and the banks' interest in the impact of excess profits taxes, it is anticipated that there will be no difficulty in obtaining the desired response. There is enclosed a draft of a suggested letter to be sent by the Federal Reserve Banks to the selected member and non-member sample banks. It will be noted that the voluntary nature of the supplement is not mentioned.

"For your guidance, there are also enclosed copies of a February 24 letter addressed to Chairman Martin by Dr. Stonier, Executive Vice-President of the American Bankers Association, and the Chairman's reply.

"Tabulations, estimates, and analyses will be prepared in Washington. Inasmuch as it has not been decided whether these data will be published or otherwise made available, no regional releases should be made without prior clearance with the Board. The completed forms should, however, be edited at the Reserve Banks and the original copies should then be forwarded to the Board; editing instructions are enclosed.

3/3/53

-6-

"It is suggested that any questions pertaining to the collection and editing of the supplements be addressed to Mr. Horbett, Assistant Director of the Board's Division of Bank Operations."

Approved unanimously.

Letter to Mr. Luhnnow, Editor and Publisher, TRUSTS AND ESTATES,  
50 East 42nd Street, New York, New York, reading as follows:

"This refers to your letter of February 5 in which you raise questions concerning the propriety of publication in Trusts and Estates of excerpts from annual reports to stockholders of banks operating common trust funds in which reports reference is made to operating results of such funds and from annual reports of State banking departments which may contain similar data in composite form.

"The Board has found no reason to alter its views on this general subject as earlier expressed in letters to you dated June 8, 1950, and May 10, 1951, and is strongly of the belief that publication of information, regardless of its source, relating to the earnings or values of assets or units of participation, whether relating to a particular fund or in summary form representing composites or averages of several funds, would contravene the purpose and intent of the restriction upon publication contained in section 17 of Regulation F.

"The Board is concerned over recent reports of developments in common trust fund administration which indicate the occasional use of such funds for purposes which are not in accord with the concepts underlying their authorization. Consequently, the Board holds strongly to the belief that publication of information concerning the results of common fund operation can lead to inaccurate and unfair comparisons concerning the operation of individual common trust funds and may have contributed, in part, to existing misunderstanding of the special nature and restrictive purposes of such funds which is the basis for their misuse as investment media for individuals who are not primarily concerned with the establishment of trusts for true fiduciary purposes. On the other hand,

3/3/53

-7-

"as indicated in our letter to you of May 10, 1951, the Board has not taken objection to the publication of general summaries relating either to the composition of common trust funds by classes and types of investments or to the aggregate of dollars or numbers of fiduciary accounts so invested.

"While the usefulness of common trust funds, within the framework of their prescribed purposes, has been well demonstrated, there is a continuing need to emphasize their special nature and restrictive purposes and to refrain from actions, including certain kinds of publicity, which may encourage their misuse as investment trusts for individual investment purposes.

"While the prohibition relating to publication has sole applicability to banks operating common trust funds, the interests of all who are concerned with the proper and successful administration of such funds will be best served by careful observance in all quarters of the spirit and intent of this prohibition. We feel sure we may count on your understanding cooperation toward this end."

Approved unanimously, together  
with a letter to Mr. Sproul, President  
of the Federal Reserve Bank of New  
York, reading as follows:

"We are enclosing a copy of a letter received from Mr. C. C. Luhnnow, Editor and Publisher of Trusts and Estates, raising questions concerning the propriety of publication of data concerning the income yields and unit values of common trust funds. A copy of the Board's reply to Mr. Luhnnow is also enclosed.

"The reference to a report of the Superintendent of Banks of the State of New York cited in Mr. Luhnnow's letter relates apparently to the material contained on page 39 of the 1952 annual report of the Superintendent of Banks concerning common trust funds in operation in New York State, and particularly to the comparative income yields on such funds.

"While the prohibition in section 17 of the Board's Regulation F relating to publication of earnings and unit values of common trust funds or excerpts from annual audit reports is directed solely to banks operating such funds,

3/3/53

-8-

"the Board has frequently discouraged the general publication of operating results of common trust funds, even when expressed in composite form and in such manner as to conceal the identity of the individual funds involved. This action has been prompted by realization of the inaccurate and unfair conclusions or comparisons which may result from such publicity and the influence it may have in fostering misconceptions as to the purpose and use of common trust funds, particularly on the part of those persons whose interest in such funds may be solely that of individual investors with no true trust purposes to be served. In the interest of continued proper and successful administration of common trust funds particular care should be taken, it seems to the Board, to avoid practices, including publicity of questionable significance or value, which may be inimical to the special and restricted purposes for which such funds were authorized.

"It will be appreciated if you will arrange to discuss this subject with representatives of the New York State Banking Department, explaining the reasons for imposition of the restrictions on publicity, so that, in future annual reports, the State Superintendent of Banks may have the Board's position in this matter in mind."

Letter to Mr. B. L. Sadler, President, First National Bank in  
Harriman, Harriman, Tennessee, reading as follows:

"This refers to your letter of February 14, 1953, with respect to the voting of shares of stock of your bank. It is noted that an amendment to your Articles of Association, to change the date of the annual meeting of stockholders, requires the favorable vote of at least a majority of the shares of stock. Therefore, action by less than such majority, specifically the 409 shares voted at the annual meeting of January 13, would not meet the requirement and no action by the Board would make it legal for the 409 shares to change the annual meeting date.

"The Board understands that Hamilton National Associates owns a majority of the stock of your bank but is not authorized to vote this stock because it has not obtained a voting permit from the Board of Governors, or a determination by the Board that no such permit is necessary. This determination is the 'ruling' referred to in Mr. Taylor's letter of January 30, 1953.



3/3/53

-9-

"The Board is authorized by law to make such a determination if the organization is not engaged as a business in holding the stock of, or managing or controlling, banks. However, it would not appear that the Board could make such a determination in this case since it is understood that Hamilton National Associates controls a number of banks. Therefore, in order for Hamilton National Associates to vote the stock of your bank which it owns, the organization must apply for and obtain a voting permit from the Board of Governors.

"If you have any further questions in this connection, it is suggested that you communicate with the Federal Reserve Bank of Atlanta. In compliance with your request, the letters enclosed with your letter to the Board are returned herewith."

Approved unanimously, with  
a copy to Mr. Bryan, President, Federal Reserve Bank of Atlanta.

Memorandum dated February 24, 1953, from Messrs. Dembitz and Kenyon, Assistant Director, Division of International Finance, and Assistant Secretary of the Board, respectively, reading as follows:

"In February 1952, the Board and the Federal Reserve Bank of New York authorized Mr. Young, Director of the Division of Research and Statistics, who was the head of the Federal Reserve delegation to the Third Meeting of Technicians of Central Banks of the American Continent, held in Havana, Cuba, to extend a joint invitation on behalf of the Board and the Bank to hold the Fourth Meeting in the United States some time in 1954.

"That invitation was accepted, and an informal staff committee comprised of representatives of the Board and the New York Bank, under the chairmanship of Mr. Thomas, Economic Adviser to the Board, has been proceeding with arrangements for the meeting, which is planned for the two-week period beginning May 10, 1954. At least the first week's sessions will be held in Washington, and the remaining sessions will be held in New York.

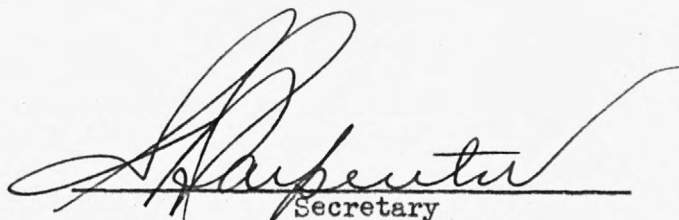
"There is attached a letter of invitation which has been drafted by the committee, the form of which is understood

3/3/53

-10-

"to be satisfactory to the Federal Reserve Bank of New York. It is planned to send this letter to the heads of the central banks and international institutions listed on the attached sheet. If the attached sample letter, to the President of the National Bank of Cuba, meets with the approval of the Board, letters to the other institutions concerned also will be prepared and submitted to Chairman Martin and President Sproul for signature."

Approved unanimously.



Secretary