

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 19, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary

There was presented a request that Mr. Marget, Director of the Division of International Finance, be authorized to travel to Chicago, Illinois, during the period May 24-26, 1953, to discuss the outlook for world trade at a meeting of the National Agricultural Credit Committee to be held at the Federal Reserve Bank of Chicago on May 25.

Approved unanimously.

There was also presented a memorandum dated March 19, 1953, from Mr. Kelleher, Assistant Director, Division of Administrative Services, recommending that the Board authorize the conversion of Room G-247 to a recreation area available to all employees of the Board, together with the necessary space reallocation and consolidation. The memorandum also recommended that the Board authorize the expenditure by the Division of Administrative Services of approximately \$125 per month for possible rental of additional storage space and \$200 for the purchase of minor items of equipment required to effect the change, which expenditures were not provided for in the Division's 1953 budget.

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The memorandum stated that the possibility of making Room G-247, which contains approximately 1,000 square feet of space, available as a recreation area had been explored at Governor Robertson's request; that the room was now used for the storage of publications and certain reallocations of space would have to be made to make the room available for the purpose indicated; and that although exact storage requirements could not be determined at this time, it was thought desirable that provision be made for the rental of not more than 500 square feet of suitable outside storage space if necessary. It was contemplated that the only out-of-pocket expenses necessary to convert Room G-247 into a recreation area would be for a television antenna and small items of furniture such as lamps and ash stands since the Reserve Board Club had agreed to transfer the television set and certain furniture from the Recreational Library and would be asked to furnish two ping-pong tables, and other furniture could be provided from the Board's stock of equipment.

In presenting the memorandum, Governor Evans stated that he regarded the project favorably.

Governor Robertson said that he felt it would be helpful to employee morale to have the recreation area available and that it would provide students of the Inter-Agency Bank Examination School a place to relax in their free time. He brought out that it might not be necessary to rent any storage space or to spend all of the \$200 provided for equipment.

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Following a discussion, the recommendations contained in Mr. Kelleher's memorandum were approved unanimously.

Chairman Martin reported receipt of a letter dated March 13, 1953, from Mr. Philip Young tendering his resignation as Class C director of the Federal Reserve Bank of New York in view of his appointment as Chairman of the United States Civil Service Commission.

Mr. Young's resignation was accepted effective March 18, 1953.

Chairman Martin stated in this connection that he had taken steps to ascertain whether Mr. Irving S. Olds, former Chairman of the Board of the United States Steel Corporation, would accept, if tendered, appointment to succeed Mr. Young as Class C director of the New York Reserve Bank.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 18, 1953, were approved unanimously.

Memorandum dated March 17, 1953, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Mary M. Tolle, Typist in that Division, be accepted to be

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effective as of the close of business March 16, 1953.

Approved unanimously.

Letter to the Board of Directors of the Security Savings Bank, Marshalltown, Iowa, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

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

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 is in response to your letter of March 9, 1953 requesting the views of the Board with respect to S. 286, a bill which would amend section 402(a) of the National Housing Act by changing the name 'Federal Savings and Loan Insurance Corporation' to 'Federal Savings Insurance Corporation'.

"The title now provided for the Corporation clearly corresponds to the accepted designation of the mutual institutions for home financing whose shares the Corporation insures and the Board feels that the proposal would result in greater confusion in the public mind as to the nature of savings and loan associations. The proposal to change the name of the Corporation is one which has been made from time to time in the past and has been opposed by the Board. Taken in connection with a number of other proposals affecting the Home Loan Bank System that have been suggested from time to time in the past, this proposal would be a step

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"tending toward the transformation of savings and loan associations from local mutual thrift and home financing institutions into a separate banking system.

"The Board of Governors has no desire to see the savings and loan associations or any other institutions handicapped in their legitimate development and recognizes their contribution to the development of thrift and home ownership. However, it is most desirable that confusion be avoided in the operation of banking, savings, and investment institutions and that the various types of institutions in these fields under Federal statutes or supervision should operate within their respective areas with titles appropriate to their functions. In the Board's view the present title of 'Federal Savings and Loan Insurance Corporation' is more appropriate to its functions than the proposed change would be."

Approved unanimously.

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

"Several instances have been reported recently of the use of armored trucks by banks to pick up deposits at the customer's place of business and of proposals to render such service at the expense of banks through use of trucks owned and operated by affiliated or independent concerns. In one instance, the Board has expressed the view, on the basis of the facts in the particular case, that the use by a State member bank of motor vehicles to collect moneys and checks from its customers at their places of business constitutes the receiving of deposits by the bank within the meaning and intent of section 5155 of the Revised Statutes at a place other than the regular offices of the bank, and that therefore the practice in question involves the operation of a branch without the approval of the Board in violation of section 9 of the Federal Reserve Act. If the service is rendered through an affiliate, question arises as to the use of an affiliate to perform a function which the bank is not permitted to perform. If the service is rendered through an independent agency at the expense of the bank, the question may be raised as to whether the absorption of the expense may, in certain circumstances, constitute the

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"payment of interest on deposits, and similar question might be raised as to the competitive situations that may result. An additional question might be raised as to whether this might be regarded as an evasion or avoidance of the branch banking laws. We are not implying that we hold fixed views concerning the answers to these questions.

"In view of the increasing hazards in the transportation of cash (which constitutes a part of this service), and the apparent need and demand for such service, the problem looms as a difficult one. The matter will require careful consideration by the supervisory authorities and it is understood that the Office of the Comptroller of the Currency is developing information with regard to the extent to which and the forms in which national banks render or propose to render the service.

"It is contemplated that this matter will be the subject of discussion at a meeting on April 15th of the Inter-Agency Committee, i.e., representatives of the Office of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors, and the State Bank Supervisors. Accordingly, it is requested that you furnish the Board at your earliest convenience and, if possible, prior to April 10th, any information that has come to the attention of your examiners with respect to the extent, if any, to which State member banks in your district are engaged directly or indirectly in the practice of collecting deposits from customers through the use of armored trucks, the types of customers served, the methods or procedures used, and the stipulations or requirements made of customers with respect to such service. Also, please furnish similar information, if available, with respect to the practices of nonmember banks in your district.

"If you have any ideas with respect to a proper solution of the problem, please express them for the benefit of the Board. For example, question has been raised as to whether there would be objection to an arrangement whereby the service would be provided by an independent and responsible agency, with all banks in the community participating on a noncompetitive basis, furnishing the service to all customers which need it, and with each bank absorbing its pro rata share of the cost."

Approved unanimously.

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

"The Union Bank of Burma, which is the central bank of that country, has asked the Board to help them find an economist who could supervise the research and statistical work of that Bank. Attached is a copy of the letter from U San Lin, General Manager of the Union Bank of Burma, requesting this assistance. The purpose of this letter is to inquire whether there is any economist on the staff of your bank who might have the qualifications and who might be interested in undertaking this assignment, and whom your bank might be able to spare for one year for this purpose.

"Mr. Clay Anderson, Financial Economist of the Federal Reserve Bank of Philadelphia, is serving as Adviser to the Union Bank for a one-year period ending in November 1953, and he would therefore be available to provide guidance for anyone who might go to Burma in response to the present request. It would therefore appear that this assignment could be filled by a younger man than would ordinarily be required for a mission that is to give guidance to a foreign institution, and this may provide an unusual opportunity for a suitably-qualified younger person who could benefit from this kind of experience.

"It will be appreciated if you will let the Board know whether there are any candidates at your bank who can be considered for this assignment. If you include the names of any candidates about whom you have not already sent biographical information in response to the Board's earlier letter, dated August 21, 1950, regarding personnel for foreign assignments, would you please also include relevant biographical information about them.

"When a tentative candidate has been selected, the detailed terms of the assignment, administrative arrangements, etc., can then be worked out with the Union Bank. The arrangements would include provision for travel and housing in Burma for the man's family as well as for himself. As to

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"the timing of this mission, it is our impression that the arrival of the economist in Burma by the middle of 1953 or earlier would probably be quite satisfactory to the Union Bank of Burma."

Approved unanimously.

*[Handwritten Signature]*  
Secretary