

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 1, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Leonard, Director, Division of Bank Operations
Mr. Bethea, Director, Division of Administrative Services
Mr. Vest, General Counsel
Mr. Allen, Director, Division of Personnel Administration

There was presented a memorandum dated March 18, 1953, from a staff committee established pursuant to action taken by the Board on January 26, 1953, submitting a revised plan for relocation of Board operations and delegation of authority in an emergency. The memorandum had been circulated among the members of the Board prior to consideration at this meeting.

Approved unanimously.

Governor Robertson stated that he had been exploring with Mr. Vest some plan under which the functions of the Federal Open Market Committee could be delegated in an emergency in the event some or all of the members of the Board were not available, that he had not

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yet been able to arrive at a satisfactory plan, but that if he was able to work out a desirable plan he would present it to the Board.

Messrs. Bethea, Leonard, and Allen then withdrew and the following members of the staff entered the room:

Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research
and Statistics
Mr. Garfield, Adviser on Economic Research,
Division of Research and Statistics
Mr. Youngdahl, Assistant Director, Division
of Research and Statistics
Mr. Gehman, Chief, Business Conditions Section,
Division of Research and Statistics
Mr. Leach, Chief, Government Finance Section,
Division of Research and Statistics

Chairman Martin stated that he thought it would be profitable, in view of the Communist "peace offensive" in Korea, to have a discussion of what impact that development might have on business conditions and business psychology in this country and also to consider the relation of the "peace offensive" and other current developments to near future financing plans of the Treasury. At his request, various members of the staff expressed their views on these matters, following which there was a general discussion.

At this point, the members of the staff withdrew and the Board went into executive session.

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Thereafter, the Secretary was informed by the Chairman that during the executive session the Board voted unanimously to accept the resignation of Mr. John A. Hannah as a director of the Detroit Branch of the Federal Reserve Bank of Chicago, effective as of March 13, 1953, and to appoint Mr. Clifford M. Hardin, Director of the Michigan Agricultural Experiment Station, Michigan State College, East Lansing, Michigan, as a director of the branch for the unexpired portion of the two-year term ending December 31, 1954, provided that Mr. Coleman, Chairman of the Chicago Reserve Bank, first ascertained and advised the Board that Mr. Hardin would accept the appointment if tendered.

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 March 31, 1953, were approved unanimously.

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

"Applications of State member banks for permission to establish and operate branches have been submitted to the Board for consideration in many instances before the State banking authorities have approved the branches. In such cases the Board's approval of the establishment of branches is conditioned upon the banks' obtaining approval of the appropriate State authorities.

"In order to avoid any possible embarrassment to the State banking authorities, or to the Board, it would seem to be a better procedure to have the State authorities

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"pass on the applications for branches before they are considered by the Board.

"Accordingly, it will be the policy of the Board to defer action on applications of State member banks for branches until information is submitted indicating the action taken by the State banking authorities except in unusual cases where more prompt consideration is essential."

Approved unanimously.

Letter to Mr. Dawes, Vice President and Secretary, Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of March 23, 1953, with which you enclosed a copy of a letter of March 20 from the Midwest Stock Exchange concerning the application of Regulation T, and particularly section 4(c) thereof relating to special cash accounts.

"From the very brief presentation of the matter by the Exchange, it appears that the question is whether securities transactions effected by one broker for another in circumstances wherein it is not contemplated that limitations of section 4(c) will be met, nevertheless, may be included in a special cash account. In this connection, reference was made to a statement in the 1939 Federal Reserve Bulletin, page 466, relative to cash transactions between brokers or dealers.

"You will have noted, of course, that the statement just referred to was published in connection with an amendment to Regulation T, effective May 22, 1939, which, among other things, added to the regulation section 4(f)(3) and thereby broadened the class of transactions permissible in special miscellaneous accounts, and that the statement was made in explanation of section 4(f)(3), rather than section 4(c). Such statement, therefore, is not applicable to section 4(c) which, as indicated by the interpretation in the 1947 Federal Reserve Bulletin, page 27, applies regardless of the type of customer.

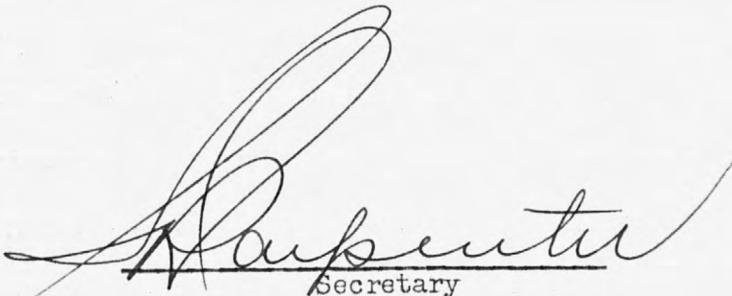
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"While a definite answer cannot be given on the basis of the question as presented, it does not appear in the circumstances that a transaction of the kind which the Exchange seems to have in mind would qualify for inclusion in a special cash account. It may be, however, that some such transactions might qualify for inclusion in a special miscellaneous account under section 4(f)(3). In the latter event, of course, the transactions would have to be handled in such an account in order to comply with the regulation.

"Because of the nature of the present inquiry, and also the inquiry of the Midwest Stock Exchange as presented by your letter of March 6, 1953, there would appear to be uncertainty in the minds of the Exchange people concerning rather basic features of the operation and use of the accounts provided for by the regulation, and especially the various special accounts. In any event, however, it would seem appropriate to impress upon the Exchange the need for submitting statements of relevant facts and circumstances reasonably sufficient for determinations of its questions. As you know, the Board will be glad to consider such questions, together with your recommendations, in any cases with respect to which you feel the advice of the Board may be desirable."

Approved unanimously.



Secretary