

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 20, 1953.

PRESENT: Mr. Martin, Chairman  
 Mr. Evans  
 Mr. Vardaman  
 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 April 17, 1953, were approved unanimously.

Letter to Mr. Bilby, Vice President, Federal Reserve Bank of New York, reading as follows:

"In view of the circumstances described in your letter of April 10, 1953, the Board of Governors approves the continuation of the payment of salary to Mr. Roland J. Schwartz as Assistant Chief, Cash Custody Division, Cash Custody Department, for an additional period of six months from April 16, 1953, at the rate of \$6,717 per annum, which is \$617 in excess of the maximum established for his position. This approval is given with the understanding that as stated in your letter, if Mr. Schwartz cannot be placed in a position commensurate with his salary, consideration will be given prior to the expiration of the six months' period to reducing his salary to the maximum of the grade in which his position is classified."

Approved unanimously.

Letter to Mr. McCormick, Chairman, Federal Reserve Bank of Richmond, reading as follows:

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"In accordance with the request contained in your letter of April 8, 1953, the Board of Governors approves the appointment of Mr. Edward A. Wayne as First Vice President of the Federal Reserve Bank of Richmond effective May 1, 1953, for the remaining portion of the five-year term beginning March 1, 1951. The Board of Governors also approves the payment of salary to Mr. Wayne as First Vice President at the rate of \$18,000 per annum, for the period May 1, 1953, through June 30, 1953.

"The Board of Governors also approves the payment of salaries to the following officers of the Federal Reserve Bank of Richmond for the period May 1, 1953, through June 30, 1953, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter.

| <u>"Name</u> | <u>Title</u>                          | <u>Annual Salary</u> |
|--------------|---------------------------------------|----------------------|
| A. N. Heflin | Vice President and<br>General Counsel | \$13,000             |
| U. S. Martin | Vice President                        | 13,000               |
| J. M. Nowlan | Assistant Vice President              | 10,500               |
| J. L. Nosker | Assistant Vice President              | 10,000               |
| R. G. Howard | Assistant Cashier                     | 9,000                |
| H. E. Ford   | Assistant Cashier                     | 8,000"               |

Approved unanimously.

Letter to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

"Receipt is acknowledged of your letter of April 14, 1953, enclosing copy of letter of Union Bank and Trust Company, Salt Lake City, Utah, containing request for an extension of forty-five days from April 20, 1953, to permit further consideration of various problems incident to arriving at a final decision upon compliance with the Board's requirements for membership. It is noted that the principal managing officer of the bank has been absent from Salt Lake City for some time and for that reason the bank has been unable to complete arrangements for meeting the Board's conditions and requirements.

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"In view of the circumstances and your favorable recommendation, the Board of Governors extends to June 4, 1953, the time within which Union Bank and Trust Company, Salt Lake City, Utah, may accomplish membership."

Approved unanimously.

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

"At the present time there are six Federal Reserve districts in which all banks are on the Par List, and in one other district nearly all are on the Par List. In the circumstances, the procedure for the reporting of changes to be made in the monthly supplement to the Federal Reserve Par List (letter S-448 dated March 6, 1942, F.R.L.S. #4384.1) is being simplified somewhat and superseded by the procedure described in the attachment hereto.

"In brief, heretofore each Federal Reserve Bank was to forward both a letter, to reach the Board by the 28th day of each month, and a telegram on the first business day of the following month, either furnishing additional changes or stating there are no further changes; quite often both communications indicated no changes. Under the revised procedure, no letter is necessary when there are no changes to be reported. The telegram should be sent on the first business day of the month, as heretofore, stating whether there are any changes.

"In so far as the Annual Par List is concerned, the new procedure reflects only the change in publication date."

Approved unanimously.

Letter to Mr. Sproul, President, Federal Reserve Bank of New York, reading as follows:

"The National Bureau of Economic Research is presently engaged in a study which involves preparation of a series on the present value of the portion of the Federal debt held outside the Government, its agencies, and the Federal Reserve Banks. In order to complete this study we understand they

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"need certain information from the period 1919 to 1941 on the System's holdings of United States Government securities. We are advised that Mr. Rolph of the National Bureau of Economic Research has discussed this with your staff and that the information needed is available from your records.

"The Board would interpose no objection to the release of this information to the National Bureau of Economic Research for the purposes described if you are prepared to make the information available. Attached is a copy of a letter which has been sent to Mr. Rolph over the signature of the Director of the Board's Division of Research and Statistics."

Approved unanimously.

Letter to Mr. Earhart, President, Federal Reserve Bank of San Francisco, reading as follows:

"The Board regrets that it will not be possible for it to have a representative attend your Business Outlook Conference on April 27. As you are probably aware, the System Committee on Current Business Developments is meeting in Washington at that time and the members of the Board's staff who might most appropriately participate in your conference will be involved in that meeting.

"If you decide to hold another such conference at a later date, it is hoped that it may be possible for a representative from the Board to attend."

Approved unanimously.

Letter to Mr. Carl Stolle, Chairman, Board of Governors, National Association of Securities Dealers, Inc., 70 Pine Street, New York, New York, reading as follows:

"This refers to your letter of March 30, 1953, regarding the proposed amendment to Regulation U relating to bank loans for the purpose of purchasing or carrying redeemable shares of certain open-end investment companies.



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"Because of limitations of space, the notice of this possible amendment which was published in the Federal Register did not attempt to explain or discuss the relevant facts involved in such financing by banks. However, those facts have an important bearing on the nature of the financing and its relationship to the margin requirement provisions of the Securities Exchange Act of 1934.

"In a typical instance of this type of financing, a bank lends a borrower funds which he is to turn over to an open-end investment company; the company stands ready to invest the funds in a pool of registered securities and to return to the borrower, at any time upon his request, substantially the current market value of his proportionate interest in the underlying registered securities. The fact that the open-end investment company issues to the borrower, and the latter may pledge with the bank, an unregistered instrument which is called a 'share of stock', cannot alter the fundamental fact that the bank loan is for the purpose of purchasing or carrying registered securities. It would seem to be difficult to justify disregarding the important features of this kind of bank financing which make it basically different from the usual financing of purchases of ordinary unregistered securities.

"However, the Board is always inclined to favor any desirable arrangements which can lessen the need for regulatory action in any area where it has responsibility. It has noted with interest your statement that 'Perhaps the result desired can be obtained in some other manner', and it would appreciate any further information or suggestions you may care to offer as to how this might be suitably accomplished."

Approved unanimously.

In accordance with the understanding referred to by Governor Robertson at the meetings on April 14 and 16, 1953, unanimous approval was given to the following Order:

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"UNITED STATES OF AMERICA  
Before The  
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

In the Matter of :  
  
DEVON-NORTH TOWN STATE BANK, :  
CHICAGO, ILLINOIS. :

ORDER

1. It is hereby ordered that the time within which an answer may be filed herein be, and it is hereby, extended to and including May 5, 1953, and,

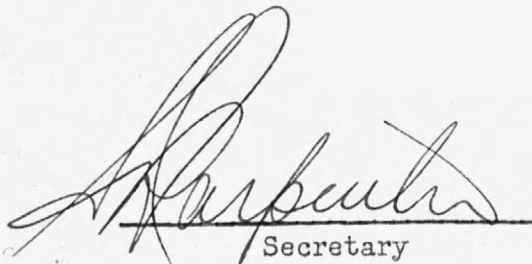
2. It is further ordered that the time fixed for the Hearing herein be, and it is hereby, changed to 10 A. M., May 14, 1953.

Dated the 20th day of April, 1953.

By the Board.

(SEAL)

S. R. Carpenter,  
Secretary."

  
Secretary