

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 29, 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. Kenyon, Assistant Secretary

Governor Evans reported that pursuant to the understanding at the meeting on April 24, 1953, he had a discussion yesterday with Mr. Coleman, Chairman of the Federal Reserve Bank of Chicago, regarding the building plans of that Bank during which he suggested the possibility that the Bank might dispose of its present property and erect a new building at another location. He said that Chairman Coleman seemed interested in the idea and stated that he would have the matter investigated.

Governor Robertson stated that a representative of the Bureau of Internal Revenue had requested him to attend a meeting, probably on May 7, 1953, at which Mr. Gidney, Comptroller of the Currency, and Mr. Cook, Chairman of the Federal Deposit Insurance Corporation, also would be present, to discuss the current formula of the Bureau which fixes the maximum permissible additions to loss reserves that can be deducted from the taxable income of commercial banks.

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Consideration was given to the discontinuance of the Office of the Solicitor and the transfer of the remaining members of the staff of that Office to the Legal Division, and at the conclusion of the discussion of this matter the following actions were taken by unanimous vote, effective April 29, 1953:

1. The Office of the Solicitor was discontinued, and Mr. Chase, Assistant Solicitor, and Margaret E. Rauber, Secretary, the employees remaining in that Office, were transferred to the Legal Division. This action was taken with the understanding that if and when a matter should arise requiring legal services of a character which would be handled by the Office of the Solicitor were it in existence, someone in the Legal Division would be designated for the purpose by the Board's General Counsel or the matter would be handled in such other manner as the Board might direct.

2. The title of Mr. Chase was changed from Assistant Solicitor to Assistant General Counsel and his salary was fixed at the rate of \$12,500 per annum.

3. The order in which the Assistant General Counsel would take charge of the Legal Division in the absence of the General Counsel was established as follows: Mr. Solomon, Mr. Hackley, Mr. Hexter, Mr. Chase.

4. All space in the Board's building now assigned to the Office of the Solicitor was transferred to the Legal Division.

5. All unexpended amounts remaining in the budget of the Office of the Solicitor for the year 1953 were transferred to and consolidated with the appropriate items in the budget of the Legal Division.

6. The salary of Jerome W. Shay, Assistant Counsel, was increased from the rate of \$9,600 to \$10,600 per annum.

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There was presented a memorandum dated April 22, 1953, from the President of the United States to the heads of executive departments and agencies reading as follows:

"Pending consideration by the Congress of legislation amending the coverage of existing leave laws, I request that no person appointed by the President shall, upon leaving the Government, receive payment for unused annual leave except upon a clear showing of entitlement.

"To that end, it will be the general practice to maintain formal leave records for Presidential appointees wherever practicable. Where the nature of the position is such that the keeping of formal leave records is impracticable, the individual concerned will be expected to maintain an accurate personal record of his leave status.

"In any case where there is the slightest doubt as to the sufficiency of a leave record to support a lump-sum payment for accrued leave upon separation from the Government service, the head of the agency will either request an advance decision from the Comptroller General of the United States as to the propriety of the payment, or submit the matter to the General Accounting Office for settlement as a claim.

"Until further notice, the Bureau of the Budget is to be informed of all terminal leave payments to Presidential appointees."

Following a discussion, during which reference was made to the long-established policy under which the members of the Board (the only Presidential appointees in the Board's organization) are not subject to leave regulations and do not accumulate unused leave, it was agreed unanimously that the provisions of the above memorandum were not applicable to the Board of Governors and that no reply to the memorandum was necessary.

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Reference was made to an informal discussion which the members of the Board had yesterday with Messrs. Virden and Rummell, Chairman and Vice Chairman, respectively, of the Federal Reserve Bank of Cleveland, regarding the proposal of the Board of Directors of the Bank, if acceptable to the Board of Governors, to appoint Mr. Wilbur D. Fulton, now First Vice President, as President of the Bank, and Mr. Donald S. Thompson, now Vice President, as First Vice President to succeed Mr. Fulton.

Following a discussion, Chairman Martin was authorized by unanimous vote to advise Chairman Virden informally that, if the directors of the Cleveland Bank should finally decide to make these appointments, the Board of Governors would approve upon receipt of formal advice that the actions had been taken.

Secretary's Note: Following this discussion, Chairman Martin was called from the room and upon returning said that he had talked by telephone with Chairman Virden, who stated that he wished to bring up the proposed appointments at the meeting of the Board of Directors of the Cleveland Bank tomorrow, and that he (Chairman Martin) advised Mr. Virden of the Board's decision as stated above.

In a further discussion it was understood that if the Board of Directors of the Cleveland Bank fixed the salaries of Messrs. Fulton and Thompson at the rates of \$25,000 and \$18,000 per annum, respectively, the Board of Governors would approve these salaries.

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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 April 28, 1953, were approved unanimously.

Memorandum dated April 20, 1953, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Doris June Edens, Clerk-Stenographer in that Division, be accepted, effective April 24, 1953.

Approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. William E. Marple, as a Manager, assigned to the Credit Department and Discount Department, for the period May 1, 1953, through June 30, 1953, at the rate of \$11,500 per annum, which is the rate fixed by the Board of Directors as indicated in your letter."

Approved unanimously.

Letter to Mr. Meinel, Federal Reserve Agent, Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in Mr. Wilgus' letter dated April 23, 1953, the Board of Governors approves the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated, effective today.

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<u>"Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. Frank Rehfuss	Assistant Federal Reserve Agent	\$8,700
Elwood J. Braker	Alternate Assistant Federal Reserve Agent	4,586
Glendon M. Burr	Alternate Assistant Federal Reserve Agent	6,111
Edward D. Kerns	Alternate Assistant Federal Reserve Agent	5,716
Joseph R. Campbell	Alternate Assistant Federal Reserve Agent	8,595"

Approved unanimously.

Letter to the Board of Directors, Manufacturers Trust Company, New York, New York, reading as follows:

"The Board of Governors approves the establishment and operation of a branch by Manufacturers Trust Company on the northwest corner of Francis Lewis Boulevard and Hillside Avenue, Holliswood, Queens County, New York, provided (a) formal approval is issued by the appropriate State authorities, and (b) the branch is established within one year from the date of this letter."

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

Telegrams to the Presidents of all Federal Reserve Banks, stating that the Board has established under authority of the fourth paragraph of Section 16 of the Federal Reserve Act the rate of (see column 1 below) per cent per annum interest for the preceding three calendar months on \$ (see column 2 below) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and

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that an interest payment of \$ (see column 3 below) should be credited to the Treasurer's General Account as Miscellaneous Receipts, Symbol 1841-Interest Collected, Section 16 of the Federal Reserve Act on April 29, 1953.

	(1)	(2)	(3)
Boston	1.78	\$1,241,559,899	\$5,449,257.42
New York	4.73	1,482,465,745	17,290,018.29
Philadelphia	1.75	1,095,209,419	4,725,903.66
Cleveland	1.95	1,641,943,891	7,894,826.11
Richmond	1.59	1,401,105,359	5,493,100.74
Atlanta	1.82	1,134,805,519	5,092,634.08
Chicago	2.12	2,377,539,411	12,428,343.00
St. Louis	1.78	982,114,266	4,310,539.87
Minneapolis	2.03	491,503,552	2,460,210.93
Kansas City	1.62	761,381,144	3,041,352.62
Dallas	2.78	544,605,225	3,733,156.91
San Francisco	3.31	947,450,814	7,732,756.10

Approved unanimously.

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

"The Conference of Presidents, at its meeting on March 2, 1953, approved recommendations of the Committee on Collections and Accounting with respect to examination by the Federal Reserve Banks of returned items for lateness of return. The Conference accepted these recommendations with the understanding that the two uniform paragraphs recommended for inclusion in the check collection circulars be submitted to the Board of Governors for approval.

"By a letter dated April 21, 1953, the Chairman of the Subcommittee on Collections, at the request of the Chairman of the Committee on Collections and Accounting, has submitted to the Board of Governors, and the Board hereby approves, the uniform paragraphs quoted below to be added to the check collection circulars of the Federal Reserve Banks:

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"For inclusion in the 'Instructions to collecting and remitting banks' immediately after the uniform paragraph referring to paragraph (4) of Section 5 of Regulation J -

'Each bank returning cash items for credit or refund represents that such items are returned within the time allowed by paragraph (4) of Section 5 of Regulation J or the applicable law; and any refund, deduction or credit made, allowed or given by this bank for any item returned after the time allowed by Regulation J or the applicable law may be recovered or revoked if such late return is not acquiesced in by our sending bank. A bank may, however, return to us without entry a cash item which it has failed to return in time, with a request that we ask our sending bank to make refund therefor; in which event we shall make refund to the returning bank and charge our sending bank only if the latter specifically authorizes us to do so.'

"For insertion immediately before the uniform heading 'Direct sending of cash items to other Federal Reserve Banks' (which, except in the case of the Federal Reserve Bank of St. Louis, would place the new heading and paragraph immediately after the paragraph or paragraphs now appearing under the uniform heading 'Instructions to collecting and remitting banks') -

'Information to sending banks regarding return items.'

The attention of sending banks is called to our "Instructions to collecting and remitting banks" to the effect that, (a) each bank returning cash items for credit or refund represents that such items are returned within the time allowed by paragraph (4) of Section 5 of Regulation J or the applicable law; and (b) that any refund, deduction or credit made, allowed or given by this bank for any item returned after the time

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"allowed by Regulation J or the applicable law may be recovered or revoked if such late return is not acquiesced in by our sending bank. We do not undertake to examine all returned cash items to confirm that such items are returned within the time permitted under the provisions of paragraph (4) of Section 5 of Regulation J or the applicable law.'

"In accordance with the action taken by the Conference of Presidents, the Board understands that the Committee on Collections and Accounting will establish a uniform date for making the amendments effective; that each Federal Reserve Bank, for the sake of uniformity, will examine for lateness of return only those returned items of \$1,000 and over; that instructions to or agreements with par remitting nonmember banks to which Federal Reserve Banks send cash letters for collection and remittance will include a provision similar to the first paragraph quoted above; and that the Chairman of the Subcommittee on Collections will inform the American Bankers Association of these amendments to the operating circulars of the Federal Reserve Banks and each Federal Reserve Bank will notify a representative of the Association of Reserve City Bankers in the Federal Reserve Bank's district of such amendments."

Approved unanimously.

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

"For some time there has been a growing feeling among members of the Board and other System officials that a fresh appraisal of the System's discount function ought to be made. Accordingly, the Board has undertaken a comprehensive study of the System's discount and discount rate mechanism and would like to call upon the Federal Reserve Banks for cooperation and help in developing such information and reports as may prove to be desirable.

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"Objectives of the study are in part analytical and educational, and in part operational. The analytical and educational studies are being prepared by the research staffs of the Board and the Federal Reserve Banks. The operational aspects will be handled by the Divisions of Bank Operations and Examinations who will seek the cooperation of the operating staffs of the Federal Reserve Banks. It is contemplated that as the various studies are completed they will be presented to the Board and to the Presidents' Conference, and it is expected that some of them will be available for discussion at the forthcoming joint meeting in June.

"The particular purpose of the study of the operational phases of the discount function is to develop current information as to the various practices and procedures for use as background in the consideration of the principles underlying the discount function.

"In making the studies the groups clearly understand that calls upon a Federal Reserve Bank for credit accommodation may be considered under two distinct policies: (1) the general discount policy giving effect to over-all monetary and credit policies which at different times may be restrictive, neutral, or liberal, and (2) a policy of meeting the emergency needs of an individual bank -- arising, for example, from unanticipated heavy deposit withdrawals -- when such needs transcend considerations of general policy.

"Attached is a memorandum outlining the data desired for the operational studies. We shall appreciate it if you will have a report prepared on the basis of this memorandum and two copies of it forwarded within three weeks after receipt of this letter, if practicable. The report need not be long, but we hope it will cover all the pertinent points comprehended by the general questions, whether or not listed in the specific questions."

Approved unanimously.

Telegram to the Presidents of all Federal Reserve Banks except Boston, New York, and Chicago, reading as follows:

"Supplementing reports of principal borrowing banks furnished in response to Board's telegram of March 18, please furnish Board from now on and through the month of June with weekly report showing average daily borrowings each week,

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"beginning with week ended Wednesday, March 25, of each reserve city bank included in the report previously furnished which was borrowing (a) for more than 20 of the 24 weekly periods, or (b) more than 10 per cent of average required reserves during the 5-1/2 month period, or (c) an average amount exceeding \$20,000,000 during the 5-1/2 month period. Please mail the first report and designate the banks by letters beginning 'A' in addition to names. Please telegraph subsequent reports and designate the banks merely by the letters used in the first report.

"For your information, consideration is being given to replacing or supplementing daily BD-4 discount schedules so as to permit determination of daily average figures of borrowings outstanding."

Approved unanimously, together with a similar telegram to Mr. Sproul and Mr. Young, Presidents of the Federal Reserve Banks of New York and Chicago, respectively.

Letter to Mr. Stephenson, Chief Examiner, Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of March 19 regarding the inquiry by the Trust Company of Georgia, Atlanta, Georgia, as to whether its statement of condition prepared for circulation among its customers should agree, except for consolidation of some items to omit details, with its report of condition submitted in response to an official call.

"The subject has been discussed informally with representatives of the Comptroller's office. Their views are that (1) if a national bank implies that its voluntary statement is in response to a call issued by the Comptroller, or if it is implied, by means of the caption 'Comptroller's call', that the statement is identical to one submitted in response to an official call, then the voluntary statement should be identical to or consistent with the official report; and (2) statements published under any circumstances must accurately reflect the bank's condition.

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"We concur with their and your opinions that any statement of condition circulated as being in answer to an official call should be consistent with the related official report of condition.

"As you probably know, the problem of consistency between official reports of condition and voluntary condition statements published in newspapers or distributed to customers has been a troublesome one. The differences between the two that usually come to our attention have to do with deposits of foreign branches, which are sometimes included in total deposits reported to and published by banking periodicals and directories.

"A review has been made of all reports submitted by State member banks in New York City as of December 31, 1952. None included any amounts identified as being commercial and travelers' letters of credit issued and other credits opened for customers, other than for cash, but not used, foreign exchange future contracts, acceptances of other banks and bills of exchange, except, of course, in Schedule CC; and we know of no State member bank that regularly includes such items among its assets and liabilities. Occasionally some such item appears interlined in other assets and other liabilities; but these reports are corrected during editing either at the Reserve Bank or at the Board's offices.

"A reconciliation of voluntarily published statements with official reports has not been attempted. However, in the statements of this type which have come to our attention, no items were identified as letters of credit, etc., nor did any of the statements imply that they were in answer to an official call or were identical with data so submitted."

Approved unanimously.

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

"This refers to the question presented in Exhibit I of the letter of April 15, 1953 from Mr. Day, Vice President of the Midwest Stock Exchange which you forwarded with your letter of April 16, 1953. Mr. Day's Exhibit I clarifies, and asks review of, a question under Regulation T which

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"was the subject of our letter to you of March 17, 1953.

"It appears that at a time when certain registered securities could legally be withdrawn from a general account under section 3(b) of Regulation T, the customer requested the broker to transfer these securities into non-negotiable form and retain them in safekeeping. The broker complied with the customer's request to transfer the securities into non-negotiable form. However, instead of withdrawing the securities from the general account to a special miscellaneous account as could legally have been done, the broker continued to carry them long in the general account, treating them at all times as having no loan value. The inquiry states that this practice has been followed because this particular customer 'has a tendency to become confused when non-negotiable securities purchased in a general account are transferred to a special cash account or a special miscellaneous account.'

"The Exchange asks, in effect, whether in such circumstances the registered securities in question could be withdrawn from the general account at a later date without at that time meeting the usual requirements of section 3(b) of the regulation.

"This question has been carefully reexamined, and the Board is of the opinion that in the specified circumstances the requirements of section 3(b) should be considered to apply to the later withdrawal of the securities.

"It would, of course, be theoretically possible to provide that the status of each security in a general account would depend on whether or not it had been counted as having loan value in connection with some earlier transaction. However, the transactions in a general account are often numerous and varied. Determining the status of a security or an account under such a principle would frequently impose upon the broker a complex and burdensome task. Instead of requiring such complicated calculations, the regulation in effect applies to the account on any given day on the basis of the actual current status of the account on that day. Accordingly, the fact that a particular security in the general account may be in non-negotiable form or may not have been counted as having loan value in the past, would not affect the question of whether it could be withdrawn from the account.

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"Of course, whenever a general account contains more margin than the regulation requires, the surplus can be withdrawn at that time, either in the form of cash or securities, and held for the customer in a special miscellaneous account. The provisions regarding the special miscellaneous account provide considerable flexibility and it is hoped that they will be found to offer a suitable solution for any such transactions in the future. Section 4(a) of the regulation provides in part that each 'special account shall be recorded separately', and that 'an adequate record shall be maintained showing for each such account the full details of all transactions in the account.' However, no special form of record is required, and it can be maintained in various ways so long as the proper information is included. The regulation does not require that a copy of the record be given the customer.

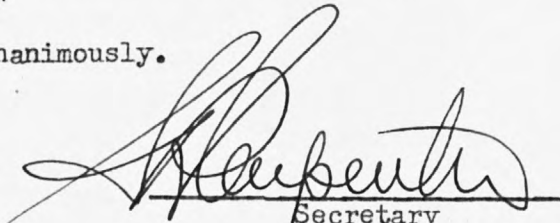
"The question presented in Exhibit II of Mr. Day's letter is receiving consideration, and you will be advised as soon as possible regarding it."

Approved unanimously.

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

"Reurlet April 20, 1953 regarding the investigation by Department of Justice concerning loans made either directly or indirectly to certain officials of the Monterey County Trust and Savings Bank by that bank, the Board in accordance with your request authorizes your bank to make available to the Federal Bureau of Investigation information from your files relating to such loans. Although your letter does not specifically so indicate, it is understood that information obtained from your files will be used only in developing leads in connection with the investigation and that it is not proposed to use the information as evidence in any court or similar proceeding."

Approved unanimously.


Secretary