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Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 26, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Vest, General Counsel
Mr. Thurston, Assistant to the Board
Mr. Cherry, Legislative Counsel

Mr. Cherry presented a report on legislative developments of interest to the Federal Reserve System in the course of which he commented that the House Banking and Currency Committee was now holding hearings on Bill S. 1081, cited as the Defense Production and Temporary Controls Act of 1953. He pointed out that in the form in which the bill was passed by the Senate the Board of Governors was given authority to exercise consumer credit controls and the President of the United States was given authority to prescribe regulations with respect to real estate construction credit, but that these authorities could not be initially invoked until the President established ceilings on prices, wages, and rents pursuant to authority given to him elsewhere in the bill. The authority to establish temporary price, wage, and rent ceilings in turn could be exercised by

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the President only after the United States declared war against a foreign nation or the Congress, by concurrent resolution, found and declared that a grave national emergency existed and that the exercise of such authority was necessary in the interest of national security and economic stability. Mr. Cherry said he had been informed by the Clerk of the House Banking and Currency Committee that the Board would not be asked to testify before that Committee or submit a statement regarding the provisions in the bill relating to the control of consumer and real estate construction credit.

In this connection Chairman Martin reported on a meeting last Friday, May 22, which was attended by Mr. Humphrey, Secretary of the Treasury, Mr. Flemming, Director of the Office of Defense Mobilization, Mr. Burns, an economic adviser to the President, Mr. Williams, Under Secretary of Commerce, an official of the Department of Labor, Mr. Young, Director of the Board's Division of Research and Statistics, and himself, the meeting having been called to consider whether an effort should be made to have restored to S. 1081 some provision which would authorize the regulation of consumer credit without the restrictive clauses contained in the bill in its present form. At the conclusion of the meeting, Chairman Martin said, he and Mr. Young were requested to prepare a memorandum which would be submitted to the President reflecting the consensus of the meeting, which was to the

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effect that it would be unwise to press for expanded authority to regulate consumer credit at the present time. Chairman Martin then read the text of the memorandum which had been prepared and submitted to Mr. Flemming pursuant to the above-mentioned request and stated that copies of the memorandum would be sent to the other members of the Board. A copy has been placed in the Board's files.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 25, 1953, were approved unanimously.

Letter to The Chase National Bank of the City of New York, New York, New York, reading as follows:

"The Board of Governors of the Federal Reserve System authorizes The Chase National Bank of the City of New York, New York, New York, pursuant to the provisions of Section 25 of the Federal Reserve Act, to establish a branch at Amistad 304, Havana, Cuba, and to operate and maintain such branch subject to the provisions of such section; upon condition that, unless the branch is actually established and opened for business on or before June 1, 1954, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date. It is understood, of course, that no change will be made in the location of such branch without the prior approval of the Board of Governors."

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Approved unanimously, for transmittal through the Federal Reserve Bank of New York, together with a letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, containing a paragraph reading as follows:

"Please ask The Chase National Bank of the City of New York to note that the authority to establish the branch will automatically terminate on June 1, 1954 if the branch is not actually established and opened for business on or before that date, and request the Bank to advise the Board in writing through the Federal Reserve Bank of New York when the branch is so established and opened for business."

Letter to the Board of Directors, Land Title Bank and Trust Company, Philadelphia, Pennsylvania, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, and the following special condition, 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 Philadelphia:

3. Prior to admission to membership, such bank shall discontinue the business of insuring titles to real estate and shall transfer such business and existing liabilities resulting from the exercise of such business to a separate corporation.

The letter also contained the following paragraphs:

"The Board of Governors also approves the retention and operation of the bank's present branch located at the corner of 5th and Chestnut Streets, Philadelphia, Pennsylvania, and, provided the proposed merger with the Tradesmens

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"National Bank and Trust Company is consummated, the Board also approves the operation of branches at the following locations, all in the city of Philadelphia, Pennsylvania:

16th and Walnut Streets
 17-23 South 52nd Street
 5612-14 Germantown Avenue
 Broad and Loudon Streets
 320 Chestnut Street
 Erie Avenue and I Street

"It appears that the bank possesses certain powers which are not necessarily required in the conduct of a banking and trust business, including the power to invest in shares of certain types of banks, to act as surety, and to insure titles to real estate. It is understood that the bank will discontinue the title insurance business and that it is not now exercising the power to purchase bank stock or to act as surety. Attention is invited to the fact that if the bank desires to exercise any power not actually exercised at the time of admission to membership it will be necessary, under the provisions of condition of membership numbered 1, to obtain the permission of the Board of Governors before doing so. In this connection the Board understands that there has been no change in the scope of the corporate powers exercised since the date of application for membership.

"With respect to condition of membership numbered 3, the Board understands that the title insurance business, and existing liabilities resulting therefrom, will be transferred to a corporation all or substantially all of the stock of which may be owned by the Land Title Bank and Trust Company. In order to comply with the applicable provisions of Federal law, this stock must be acquired before the bank is admitted to membership in the Federal Reserve System and additional stock may not be acquired after membership status is obtained."

Approved unanimously, for transmittal through the Federal Reserve Bank of Philadelphia, together with a letter to Mr. Williams, President, Federal Reserve Bank of Philadelphia, containing a paragraph reading as follows:

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"It is noted that dealers' reserves held by the bank in connection with loans to various finance companies have not been treated as deposits in computing deposit liabilities for reserve purposes. After re-examination of this question, the Board feels that dealers' reserves of this kind should be treated as deposit liabilities in accordance with its previous rulings on this subject."

Letter to the Board of Directors, Union Bank and Trust Company,
Salt Lake City, Utah, reading as follows:

"Reference is made to your inquiry made through the Federal Reserve Bank of San Francisco regarding a modification of condition of membership numbered 3 set forth in our letter to you dated March 6, 1953, so as to permit your bank to engage in property management in its trust department.

"The Board of Governors has modified the condition referred to by deleting the portion thereof relating to property management. The condition, as modified, is set forth below:

3. Such bank shall not, except to the extent usually necessary in the transaction of a commercial banking or trust business, directly, or indirectly, engage in the business of dealing in real estate or other properties, either for its own account or as agent for others."

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

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

"There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached,

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"for use of State member banks and their affiliates in submitting reports as of the next call date:

Number of
copies

Form F. R. 105 (Call No. 128), Report of condition of State member banks.

Form F. R. 105e (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 105e-1 (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 220 (Revised March 1952), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised March 1952), Publisher's copy of report of affiliate or holding company affiliate.

"All of the forms are the same as those used on April 20, 1953, with the exception of a minor change in the wording of item 8 in Schedule B of form F. R. 105."

Approved unanimously, with the understanding that the letters would be sent when the forms were printed.

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 communication of May 22, 1953, enclosing a facsimile of the enrolled enactment of H. R. 4605, a bill 'To amend section 10 of the Federal Reserve Act, and for other purposes', and inquiring whether there is any objection to the approval of the bill by the President.

"The bill would increase from \$10,000,000 to \$30,000,000 the amount which may be used for construction of additional building facilities for branches of

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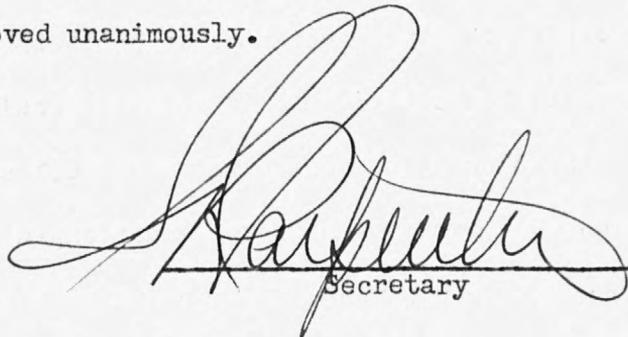
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"Federal Reserve Banks. The Board recommended the enactment of this legislation and the reasons supporting it were set forth in the memorandum enclosed with my letter to the Director of the Bureau of the Budget dated March 26, 1953. The additional Federal Reserve branch building construction permitted by this legislation is urgently needed and the Board earnestly hopes that it will be approved by the President."

Approved unanimously.

Memorandum dated May 19, 1953, from Mr. Marget, Director, Division of International Finance, recommending that Mr. Dembitz, Assistant Director of that Division, be authorized to accept an invitation to make an "off-the-record" talk on current international financial problems at a luncheon meeting of the Export-Import Club of Richmond, Virginia, on May 27, 1953. The memorandum also recommended that Mr. Dembitz be granted one day's leave on official business for this purpose, and that he be paid a per diem in lieu of subsistence and reimbursed for actual necessary transportation expenses in accordance with the Board's travel regulations.

Approved unanimously.



Secretary