

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 27, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Acting Chairman  
Mr. Evans  
Mr. Mills

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Young, Director, Division of Research and Statistics  
Mr. Youngdahl, Assistant Director, Division of Research and Statistics  
Mr. Leach, Chief, Government Finance Section, Division of Research and Statistics

Members of the staff presented a review of recent developments in the Government securities market, also commenting on the reserve position of member banks and the outlook for the growth of bank credit during the near-term future.

Following a discussion, Messrs. Riefler, Thomas, Young, Youngdahl, and Leach withdrew from the room.

There was presented a memorandum from Mr. Leonard, Director, Division of Bank Operations, dated July 24, 1953, recommending that in order to pay to the Treasury approximately 90 per cent of Federal Reserve Bank net earnings after dividends during the second quarter of 1953, the Board establish rates of interest on Federal Reserve notes as indicated in an attached tabulation. The memorandum stated that net earnings after

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dividends during the second quarter totalled \$91,199,000, that because of the present unsettled status of the amendment to the Loss-Sharing Agreement to include fire and allied risks, it was not contemplated that a deduction would be made from net earnings during the second quarter of the year to provide for the remainder of the proposed \$6,000,000 reserve for such losses, and that the total payment to the Treasury for the second quarter on the basis proposed would amount to \$82,150,913.84. Accompanying the memorandum was a draft of telegram to the Presidents of all Federal Reserve Banks which would state 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 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 July 29, 1953.

	(1)	(2)	(3)
Boston	1.87	\$1,238,807,318	\$5,775,557.30
New York	4.97	1,444,852,371	17,903,106.35
Philadelphia	1.88	1,137,312,452	5,330,723.68
Cleveland	2.01	1,648,623,772	8,261,637.65
Richmond	1.65	1,395,896,890	5,742,299.12
Atlanta	1.87	1,130,598,193	5,271,065.60
Chicago	2.09	2,323,198,427	12,105,455.04
St. Louis	1.84	950,836,614	4,361,865.28
Minneapolis	2.11	504,982,942	2,656,486.98

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	(1)	(2)	(3)
Kansas City	1.63	\$ 755,544,600	\$ 3,070,409.06
Dallas	2.79	564,941,804	3,929,673.28
San Francisco	3.00	1,035,187,397	7,742,634.50

Following a discussion, the recommendation in Mr. Leonard's memorandum was approved unanimously, with the understanding that a telegram would be sent to the Presidents of all Federal Reserve Banks in the form indicated above.

Thereupon the meeting adjourned. During the day the following additional actions were taken by the Board with all of the members except Chairman Martin and Governors Vardaman and Robertson present:

Memoranda from appropriate individuals concerned recommending personnel actions as follows:

Appointment, effective upon the date of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Type of appointment</u>	<u>Basic annual salary</u>
Lyle B. St. John, Assistant Federal Reserve Examiner	Examinations	Temporary (9 months)	\$5,060

Resignation, effective close of business July 31, 1953

Gloria R. Grant, Clerk-Typist, Division of Personnel Administration.

Approved unanimously.

Letter to Mr. Clark, First Vice President, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of July 14, 1953, the Board of Governors approves the payment

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"of salary to Mr. J. H. Bowden, Assistant Vice President, effective as of your established pay period beginning nearest July 15, through December 31, 1953, at the rate of \$10,000 per annum, which is the rate fixed by the Board of Directors as indicated in your letter."

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

"In the Board's letter of July 16, 1953, approving the appointment of two examiners and two assistant examiners for the Federal Reserve Bank of St. Louis, the approval of the appointment of Mr. Casper B. LeFort, Jr., as an assistant examiner was given with the understanding that his loan held by the First National Bank in St. Louis would be transferred to some lender other than a bank.

"While it was stated in your letter of July 7, 1953, that Mr. LeFort had agreed to seek removal of the loan from the national bank, it is understood that no definite arrangements for its removal have been made and that some difficulty may be experienced in effecting its removal. The loan was described as a G. I. loan for the purpose of acquiring his home, the original amount of which was \$9,500 and which has been reduced to \$8,500.

"In view of the character of the loan which was made before Mr. LeFort was approved as an assistant examiner, and the fact that he will not actually participate in examinations of the national bank holding the loan, although authorized to do so, the Board does not consider its removal to the hands of a lender other than a bank a matter of immediate urgency. Nevertheless, it is considered desirable that the removal be effected when it can be done without undue expense or inconvenience and it is understood that, while the loan is in the hands of the member bank, Mr. LeFort will not be authorized to participate in any examinations of the First National Bank in St. Louis until his indebtedness to the bank has been liquidated or otherwise eliminated."

Approved unanimously.

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Letter to the Board of Directors, The Colonial Trust Company,  
Pittsburgh, Pennsylvania, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Colonial Trust Company, Pittsburgh, Pennsylvania, at the northwest corner of Grand and Nebraska Avenues, Neville Township, Allegheny County, Pennsylvania, provided the branch is established within six months of the date of this letter."

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

Letter to the Board of Directors, Lenawee County Savings Bank,  
Adrian, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at the northeast corner of North Main and Front Streets in Adrian, Michigan, by Lenawee County Savings Bank, Adrian, Michigan, provided the branch is established within one year after the date of this letter."

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

Letter to the Board of Directors, State Savings Bank of Fenton,  
Fenton, Michigan, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors approves the establishment and operation of a branch at the northeast corner of Hickory and Main

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"Streets, Linden, Michigan, by State Savings Bank of Fenton, Fenton, Michigan, provided the branch is established within one year after the date of this letter."

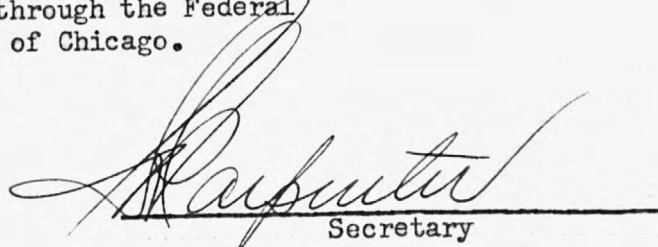
Approved unanimously, for  
transmittal through the Federal  
Reserve Bank of Chicago.

Letter to The Second National Bank of Danville, Danville, Illinois,  
reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver and committee of estates of lunatics, grants you authority to act, when not in contravention of State or local law, in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

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

  
Secretary