

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, August 5, 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. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Vest, General Counsel

The following requests for travel authorization were presented:

<u>Name and Title</u>	<u>Duration of Travel</u>
Woodlief Thomas, Economic Adviser to the Board	August 5-12, 1953
To travel to Chicago, Omaha, San Francisco, Albuquerque, Dallas, and Memphis with Federal Housing Administrator Cole to survey the real estate situation with special attention upon financing.	
Lowell Myrick, Assistant Director, Division of Bank Operations	August 17-18, 1953
To travel to Richmond, Virginia, to attend, as associate member, a meeting of the <u>ad hoc</u> subcommittee to study collection of checks and drafts drawn on Federal Home Loan Banks.	

Approved unanimously.

Governor Mills referred to the action of the Board on June 17, 1953, in authorizing Mr. Young, Director, Division of Research and Statistics, to travel to San Francisco for the purpose of participating in the seminar on central banking to be held at the Federal Reserve Bank of San

8/5/53

-2-

Francisco August 27-September 2, 1953. He stated that Mr. Young had now received an invitation to speak at the meeting of the Western Economics Association to be held in San Francisco September 1-3, that Mr. Young would like to attend the meeting and accept the invitation to speak, and that he (Governor Mills) would recommend approval of the request.

Approved unanimously.

Before this meeting there was sent to each member of the Board a memorandum from Governor Evans, dated July 28, 1953, regarding the budgetary procedure at the Federal Reserve Banks. The recommendations contained in the memorandum would be made effective by letters to be addressed to the Presidents of all Federal Reserve Banks and by a letter to Mr. Leach, Chairman of the Conference of Presidents, reading as follows:

Letter to the Presidents of all Federal Reserve Banks

"This letter relates to the preparation of the Federal Reserve Bank budgets for the year 1954.

"The Board concurs in the recommendation of the Special Committee Appointed to Consider Problems Involved in Effective Budgetary Control of Expenses of the Federal Reserve Banks that the 1954 budgets be prepared in the light of the report of the Special Committee transmitted with Mr. Coleman's letter of July 17, 1953.

"Accordingly, the 1954 budgets for the Provision of Personnel, Research and Statistics, and Bank and Public Relations functions should be accompanied by statements evaluating the Banks' activities in these respective fields for the twelve months ended the previous June 30, and giving a full description of changes and proposed changes in such activities since

8/5/53

-3-

"June 30. These statements, as contemplated by the Committee's report, should be submitted to and approved by the board of directors before being forwarded to the Board of Governors.

"In preparing the 1954 budgets, it is requested that particular attention be given to the explanatory statements regarding material differences between the budget and expenses for the previous period, any new item included in the budget, and any important changes in the operations, to the end that the budget as presented will afford adequate basis for consideration and for satisfactory explanation if the Board is called upon for explanation of Reserve Bank expenses and expense controls.

"Frequently explanations contained in the budget presentations have been as to what caused an increase rather than why the increase is necessary. For example, in explaining an increase in salaries for the Check Collection function, more information should be given than a statement that it is due to an anticipated increase of, say, 15 in the number of employees. The statement should explain why the increase in number is considered necessary. If it is anticipated that there will be an increase in the volume of work, the percentage of anticipated increase should be shown. If it is expected that output per employee will be less due to turnover or inability to obtain experienced employees, mention should be made of this factor.

"As another example, if provision is made for substantial purchases of furniture and equipment, the explanation should include not only a statement to that effect, but a brief statement as to why the new furniture or equipment is necessary or desirable.

"Present instructions provide that the Board shall be advised in advance as to the probable amount and the reason therefor whenever it appears that expenditures for any of the budget categories will exceed the budget by \$5,000 or 10 per cent. This procedure has not worked out satisfactorily, as in many cases it has not appeared to the Banks that excess expenditures would be incurred until shortly before the end of the year.

"In lieu of present advices relating to excess expenditures, the Board requests that an experience report following the close of the year be submitted to the Board after it has been submitted

8/5/53

-4-

"to and considered by the directors. Such a report would contain a comparison of the budget estimates with actual costs for the calendar year together with an explanation of significant differences. The Board hopes that such reports will be an effective means of improving the budgetary procedure and the control of expenses, and that they will be of material assistance to the managements of the Reserve Banks as well as to the Board.

"It is requested that the budgets for 1954 and subsequent years include provision for contemplated end-of-year and other salary adjustments. The Board also requests that in future letters relating to individual salary increases or changes in salary ranges, advice be given as to what provision has been made in the budget for the proposed changes and as to what effect the proposed changes would have upon the budget.

"Since the Board considers its budget at the same time as it considers the Reserve Bank budgets, it is suggested that amounts to be included in Reserve Bank budgets for Board assessments in 1954 and subsequent years be the same amount as paid during the current year.

"Suitable changes will be made in the instructions contained in the Accounting Manual relating to the preparation of the budget, and revised pages will be forwarded to you at an early date.

"The Board is requesting the Chairman of the Conference of Presidents to have an appropriate committee consider certain specific suggestions that have been made with respect to improving the budgetary procedure and also to furnish any comments or suggestions that the committee may have for improving the procedure as a tool of management and aid to the Board. Any changes approved by the Presidents and the Board as a result of this committee's report would not become effective until the submission of the budgets for 1955."

Letter to Mr. Leach, Chairman, Conference of Presidents

"In the Board's letter to all Presidents regarding the preparation of the Federal Reserve Bank budgets for the year 1954, it was stated that the Board is requesting the Chairman of the Conference of Presidents to have an appropriate committee consider certain specific suggestions that have been made with respect to improving the budgetary procedure and also to furnish

8/5/53

-5-

"any comments or suggestions that the committee may have for improving the procedure as a tool of management and aid to the Board.

"Any major changes approved by the Presidents and the Board as a result of the committee's report would not become effective until the submission of the budgets for 1955.

"You will recall that some years ago the instructions provided that the budget estimates would be compared with expenditures for the current calendar year, with expenses for the latter part of the year estimated. There was objection on the part of some of the Reserve Banks to making and using estimates, and, accordingly, the instructions were changed, with the concurrence of the chairmen of the appropriate committee and subcommittee of the Conference of Presidents, to provide that the budget estimates would be compared with expenses for the twelve months ending June 30. The revised procedure has presented some complications in preparing and analyzing the budgets, and we understand it is not looked upon favorably by all Reserve Banks.

"One suggestion which seems to warrant consideration would involve additional work both on the part of the Reserve Banks and the Board. Its adoption, however, might make for better budgetary procedure. The suggestion is for a two-stage budget. Under such a procedure the Banks would submit by October 1 their budgets for the first six months of the coming year, comparing costs with the first six months of the current year. In the following April, say, the Banks would submit budgets for the full year based on comparison with expenses for the prior year. We would appreciate it if you would submit this proposal for consideration by an appropriate committee of the Conference of Presidents.

"We would also appreciate it if the committee would be asked at the same time to:

- (1) Comment on the experience of the Reserve Banks with respect to the expense reporting and budgetary procedures adopted effective January 1, 1951, in the light of the Price, Waterhouse report, and
- (2) To submit any comments and suggestions for improving the expense and budgetary procedures as a tool of management and aid to the Board.

"With respect to (1) above, we understand that most of the Reserve Banks have continued to make a complete distribution of expenses to the various functions and units although the Price, Waterhouse report calls only for the distribution of salaries

8/5/53

-6-

"of employees in reports to the Board of Governors. In commenting on the draft of the recent report of the Committee on General Operating Expenses, one of the Reserve Banks suggested that distribution of all expenses to the various functions and units be resumed in the functional expense reports."

The recommendations in the memorandum and the letters as set forth above were approved unanimously.

At this point Mr. Sprecher, Assistant Director, Division of Personnel Administration, entered the room.

Reference was made to a letter from Mr. Sproul, President of the Federal Reserve Bank of New York, dated July 16, 1953, renewing the Bank's request for approval of a proposal by that Bank for making an educational motion picture film at a cost ranging from \$65,000 to \$70,000. The film would be based on a revised script, a recording of which had been made available to members of the Board and its staff.

Mr. Thurston stated that while the revised dialogue for the proposed film was a great improvement over the first version which had been submitted in March of this year, he felt it was still far from being the kind of film which would justify an expenditure such as that proposed by the Federal Reserve Bank of New York.

Governor Vardaman stated that he felt any film which was prepared should be adapted for use on television and it was his belief that preparation of such a film should be initiated by the Board as a System matter

8/5/53

-7-

rather than by an individual Federal Reserve Bank, perhaps with the assistance of a committee of staff members from the Board and some of the Federal Reserve Banks.

There followed a discussion during which Chairman Martin stated that he questioned strongly whether this was the time for any Federal Reserve Bank to spend a sum such as was proposed by the New York Bank in making a film, that he doubted whether such an expenditure would be appropriate during the coming year, and that it would be his suggestion that the New York Bank be advised of these views so that it would understand clearly that further work on the project was not desirable at this time.

Chairman Martin's suggestion was approved unanimously, with the understanding that a letter would be drafted by Mr. Thurston and sent to Mr. Sproul when in a form satisfactory to Chairman Martin.

Secretary's note: The letter, prepared for Chairman Martin's signature and mailed to Mr. Sproul under date of August 6, 1953, read as follows:

"The Board has again considered the request in your letter of July 16 for authorization of an expenditure of \$65,000 to \$75,000 for the motion picture film on which the Federal Reserve Bank of New York has been working.

"The recording of the revised dialogue for the proposed film is believed to be a decided improvement over the first version. However, the Board does not feel that its subject matter can accomplish sufficient public enlightenment on the very complex matter of the Federal

8/5/53

-8-

"Reserve workings to justify an addition to the library of System films that are currently available.

"Beyond that, however, it is the Board's view, as indicated in my letter of March 23, that this is not the time to embark on so large an expenditure in this medium. The problem of how better to bring an understanding of the Federal Reserve to a non-expert audience through the medium of a film perhaps needs further exploration on a System-wide basis, and in any case it is the Board's view that further substantial outlays of this character should only be undertaken by the System as a whole."

Chairman Martin referred to a memorandum from the Division of Personnel Administration dated July 10, 1953 with respect to Public Law 102 signed by the President of the United States on July 2, 1953 amending the Annual and Sick Leave Act of 1951 and the provisions of certain other statutes dealing with lump-sum payments for accumulated and current accrued annual leave.

At Chairman Martin's request, Mr. Sprecher summarized certain changes in the leave law, particularly the provision in the new act by which the maximum leave accumulation permissible is reduced from 60 to 30 days. Mr. Sprecher stated that because it seemed desirable to keep the Board's leave program similar in its major respects to the Government's general leave regulations it was felt desirable that the Board's leave regulations be modified to adopt the maximum of 30 days in lieu of the existing permissible 60 days. He went on to say that the amended law also directed that heads of Government departments and agencies establish a procedure for bringing about, within a reasonable period of

8/5/53

-9-

time, reductions in annual leave in excess of the allowable 30 day maximum.

During the ensuing discussion it was the consensus that it would be desirable to adopt the 30 day maximum for accumulated leave in the future although there was not agreement as to when such program should become effective. Also during the discussion, Governor Vardaman expressed the view that, for reasons which he stated, it would be undesirable to adopt any procedure which would require employees to reduce the amount of leave which had been properly accumulated under laws or personnel policies which were in effect during an earlier period.

In the course of the discussion, Chairman Martin suggested that, without taking action on any part of the memorandum submitted by the Division of Personnel Administration, the Board refer the matter to the staff for consideration with the thought that the recommendations of the staff would be considered at a later meeting of the Board.

This suggestion was approved
unanimously.

At this point Mr. Sprecher left the meeting, and Messrs. Riefler, Assistant to the Chairman, and Chase, Assistant General Counsel, entered the room.

Chairman Martin noted that, in accordance with the understanding at the meeting on July 28, 1953, Mr. Vest had sent to the members of the

8/5/53

-10-

Board a memorandum under that date giving the highlights of the decision of the Third Circuit Court of Appeals in the Transamerica case, together with his recommendation that the Board request the Solicitor General to petition the Supreme Court on behalf of the Board for a writ of certiorari. Mr. Vest's recommendation, as set forth in the memorandum, read as follows:

"It is my opinion that the arguments in favor of asking for certiorari outweigh the considerations to the contrary. A tremendous amount of labor and expense has gone into the Board's case up to date, and it seems to me that it would be inadvisable to drop the case without at least trying to get a decision by the court of last resort. The fact that the Court of Appeals has held against the Board must be recognized, but it does not necessarily mean that the Supreme Court would take the same position or follow the same reasoning. It seems important to have the guidance of the Supreme Court as to the proper interpretation of the Clayton Act in the banking field and as to the Board's responsibilities thereunder, if such guidance can be obtained, even though the Clayton Act may provide only a cumbersome procedure. It is recognized that if the Supreme Court should reverse the Court of Appeals, it may well be necessary for the Court of Appeals to give further consideration to and to dispose of questions as to whether there was denial of a fair hearing, as to subpoena of witnesses, and as to additional evidence. However, this disadvantage, without discounting its significance, is in my judgment outweighed by the other considerations.

"Accordingly, it is my recommendation that, after there has been an opportunity for informal discussion with the Solicitor General's Office, the Board request the Solicitor General to petition the Supreme Court on behalf of the Board for a writ of certiorari. I make this recommendation without expressing any opinion as to what the conclusions of the Supreme Court may be and notwithstanding the fact that the Supreme Court may well decide to uphold the judgment of the Court of Appeals."

8/5/53

-11-

Chairman Martin suggested that there be a discussion at this time of any questions any of the members of the Board who were present might have in connection with the Transamerica case with the understanding that following such discussion the Board would go into executive session for the purpose of making a decision as to whether to request the Solicitor General to petition for certiorari.

There followed a discussion of various questions and of possible results of a petition to the Supreme Court for writ of certiorari. During this discussion Mr. Vest commented on points raised along the following lines:

"(1) The Supreme Court might deny the petition for certiorari. This in effect would terminate the case, leaving its status just as it is at present.

"(2) The Supreme Court might grant a writ of certiorari. In this event the following are possibilities (assuming that not more than three Justices disqualify themselves from consideration of the case):

(a) The Supreme Court might affirm the judgment of the Court of Appeals and thus terminate the case. However, instead of terminating the case, it is possible that the Supreme Court might, while agreeing with the reasoning of the Court of Appeals, direct that the case be remanded to the Board for further proceedings not inconsistent with the opinion of the Court of Appeals.

(b) The Supreme Court might reverse the judgment of the Court of Appeals and decide all of the issues in the case in favor of the Board, without referring the matter back to the Court of Appeals or to the Board. In view of the fact that the Court of Appeals expressly stated that it had not discussed all the issues in the case in rendering its decision, this course seems very improbable.

(c) The Supreme Court might reverse the judgment of the Court of Appeals and remand the case to the Court of Appeals for further proceedings (either by the Court or by the Board)

8/5/53

-12-

"in accordance with the Supreme Court's opinion. If the Supreme Court should disagree with the Court of Appeals, this would seem the most likely possibility.

"If the Court of Appeals' judgment were reversed and the case remanded by the Supreme Court to the Court of Appeals, it would appear that the Court of Appeals would then have to take up and dispose of the questions regarding a fair hearing, the subpoena power, and admission of new evidence. After disposition of these matters, it is possible, depending upon the views expressed by the Supreme Court and its own views, that the Court of Appeals would then enter a judgment upholding the Board's theory of the case without referring the matter back to the Board. However, it seems more likely in such event, judging by the philosophy of the opinion of the Court of Appeals, that it would then remand the matter to the Board for the consideration of additional evidence either (1) with respect to the death of L. M. Giannini and the stock ownership of Bank of America, and/or (2) with respect to evidence excluded in the administrative hearing. In the event of such remand, the Board would probably have to reopen the hearing, have additional arguments, and reach another decision, which, if adverse to Transamerica, would no doubt be appealed to the Court of Appeals.

"By way of summary it may be said that, among other possibilities if the case is taken to the Supreme Court, it is possible under certain circumstances that the case might be remanded to the Board for the reopening of the case and for further hearings either (1) on the basis of the reasoning of the Court of Appeals, i.e., proof of lessening of competition or tendency toward monopoly in the local communities, or (2) on the basis of some other theory such as that heretofore followed by the Board in the case, for the taking of new evidence or the taking of evidence previously excluded."

There was also a discussion of the form that a letter from the Board to the Solicitor General might take in requesting a writ of certiorari and whether such letter would argue the merits of the Board's case, or whether it would only present necessary background material for the use of the Solicitor General. In this connection, Mr. Vest stated that he had furnished the Office of the Solicitor General with a copy of the Third Circuit Court's

8/5/53

-13-

decision and discussed the matter informally with that Office which had advised him that it was studying the decision. Mr. Vest also said that he had discussed the decision by telephone with Mr. O'Keefe, Assistant Counsel of the Federal Reserve Bank of New York, who assisted the Board during the proceeding against Transamerica under the Clayton Act, and that Mr. O'Keefe had indicated he was very much interested in the case from the legal standpoint and would be glad to assist in any further work the Board might have to do on the case, on the assumption that such an arrangement would be agreeable to the Federal Reserve Bank of New York. None of the members of the Board who were present indicated any objection to use of Mr. O'Keefe's services.

Governor Vardaman raised the question whether Governors Mills and Robertson were going to participate in a decision on whether to request the Solicitor General to file a petition for a writ of certiorari, to which Governor Mills stated he would participate. Chairman Martin stated that he felt the Board could proceed to consider the matter even though Governor Robertson was not present, with the thought that, if it seemed desirable to do so, Governor Robertson could be asked to return to Washington.

The members of the staff then withdrew and the Board went into executive session.

8/5/53

-14-

Thereafter, the Chairman informed the Secretary that during the executive session the Board voted, Governor Vardaman dissenting, to authorize the Chairman to send a letter to the Department of Justice making a formal request that the Solicitor General petition the Supreme Court of the United States for a writ of certiorari to review the decision of the Court of Appeals in the Transamerica case. Governor Vardaman stated during the executive session that he might wish to file a statement of reasons for his dissent depending on the form of the letter to the Department of Justice.

Secretary's note: The letter sent by Chairman Martin to the Department of Justice in accordance with the above action under date of August 7, 1953, read as follows:

"In 1948 the Board of Governors by unanimous action instituted a proceeding, pursuant to section 11 of the Clayton Act, against Transamerica Corporation charging that the effect of the acquisition by that corporation of the stock of numerous banks in California, Oregon, Nevada, Arizona and Washington may be to substantially lessen competition, restrain commerce, or tend to create a monopoly in the commercial banking business in that five-State area in violation of section 7 of that Act.

"The evidence introduced by the Board in the proceeding showed, among other things, that the Transamerica banking group, which had its origin in 1904, had grown steadily until it controlled approximately 41 per cent of all commercial banking offices, 39 per cent of all commercial bank deposits, and 50 per cent of all commercial bank loans in the five-State area. On the basis of this and other evidence, the Board at the conclusion of the proceeding decided by a three-to-two vote that section 7 of the Clayton Act had been violated, and on March 27, 1952 issued an order requiring Transamerica to cease and desist from violating section 7 and to divest itself of the capital stock owned by it in the banks named in the order.

8/5/53

-15-

"Transamerica Corporation petitioned the United States Court of Appeals for the Third Circuit for a review of this order of the Board and, on July 16, 1953, that Court issued an order setting aside the order which had been issued by the Board of Governors. The Court of Appeals, as will appear more particularly from its opinion enclosed herewith, held substantially as follows: That 'the commercial banks the stocks of which are here involved were engaged in interstate commerce' and that the Board has jurisdiction with respect to banks under section 7 of the Clayton Act; that the ban imposed by this section with respect to substantial lessening of competition 'is solely against stock acquisitions which may have the effect of substantially lessening competition between the companies acquired'; that the Board's finding with respect to substantially lessening competition was deficient in that 'it is not directed to competition between the acquired banks' and in that 'it sets up a five-State area of competition' which is inconsistent with its own specific finding that the business of commercial banks is largely local; and that the Board's conclusion of a tendency to monopoly in the five-State area conflicts with that specific finding and 'fails for want of a supporting finding that the five States constitute a single area of effective competition among commercial banks'.

"The Court stated, however, that the Board's analysis 'discloses a tremendous concentration of banking capital, and thereby of economic power, in the hands of the Transamerica group which may be unwise and against sound public policy'; and that 'it may well be in the public interest to curb the growth of this banking colossus by appropriate legislative or administrative action'. The Court also said that 'it may well be that in some of these areas Transamerica through the acquisition of banks has brought about a substantial lessening in competition and in that and other ways has moved measurably toward monopoly power in those particular areas'.

"The issues presented by this case are of fundamental importance to the Board in the discharge of its duties under the Clayton Act. As interpreted by the Court of Appeals, the statute would be of little practical value. Consequently, a review of the decision of the Court of Appeals by the Supreme

8/5/53

-16-

"Court of the United States is most desirable, not merely because of its effect on this case, but also because such a review would furnish the Board with a needed guide to be followed in dealing with other cases.

"The questions presented by this case are novel. There has been no decision of the Supreme Court as to whether a long series of acquisitions may 'tend' to create a monopoly. There is, in fact, no decision of the Supreme Court on the question as to whether commercial banking is commerce or whether the Board has jurisdiction to enforce section 7 of the Clayton Act. This case presents a limited number of clear-cut and specific questions of law which would appear to be suitable for determination by the Supreme Court. A decision by the Supreme Court would be most helpful and in the public interest in providing Congress with an informed basis upon which to consider the propriety of legislation in this field.

"In view of these considerations, the Board requests that you petition the Supreme Court of the United States to grant a writ of certiorari to review the decision of the Court of Appeals in this case.

"Needless to say, the Board's staff will be prepared at any time to discuss any aspect of this matter with you or your staff and to give whatever assistance you might wish in preparing the petition and briefs.

"There are enclosed herewith for your convenience copies of the following: The Board's original Complaint; the Board's Amended Complaint; the Findings as to the Facts, Conclusion and Order of the Board; the Brief and Reply Brief of Trans-america in the Court of Appeals; the Brief of the Board in the Court of Appeals (together with 'Annotated Findings of Facts'); the Opinion of the Court of Appeals; the Judgment of the Court of Appeals entered July 16, 1953; the Order of the Court of Appeals denying without prejudice Petitioner's Application for Leave to Adduce Additional Evidence, entered July 17, 1953; and the Mandate of the Court of Appeals dated August 6, 1953. The Board will also forward to your office promptly by messenger a copy of the record in this matter."

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

8/5/53

-17-

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 4, 1953, were approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, (Attention: Mrs. Garziglia, Room 253, Executive Office Building) Washington, D. C., reading as follows:

"This is in response to your communication of August 3, 1953 enclosing a facsimile of the enrolled enactment of H.R. 4353, a bill 'To increase farmer participation in ownership and control of the Federal Farm Credit System; to create a Federal Farm Credit Board; to abolish certain offices; to impose a franchise tax upon certain farm credit institutions; and for other purposes', and requesting the views of the Board with respect thereto.

"The principal purpose of the bill as stated in the Committee Reports is to provide for increased farmer participation in the management of the Farm Credit System commensurate with their increased ownership in the System. In general, the bill provides for a major reorganization of the Farm Credit Administration, the authority of which at the present time stems from the Federal Farm Credit Act of 1916 and many other laws enacted since 1916. While the new agency would remain in the Department of Agriculture, the Secretary of Agriculture would be relieved of the responsibility for supervision of the reorganized agency. These supervisory functions would be performed by a newly created Federal Farm Credit Board of thirteen members, twelve to be appointed by the President from the twelve farm credit districts with the advice and consent of the Senate and one to be designated by the Secretary of Agriculture. This Board would establish broad policy and exercise supervisory powers over a Governor which it would select to carry out established policy. The office of Governor, as well as certain other offices presently within the Farm Credit Administration, would be abolished.

"The functions of the Board of Governors are not directly related to the subject matter of the proposed legislation and

8/5/53

"accordingly the Board is not in a position to offer any detailed comments regarding the merits of the proposal."

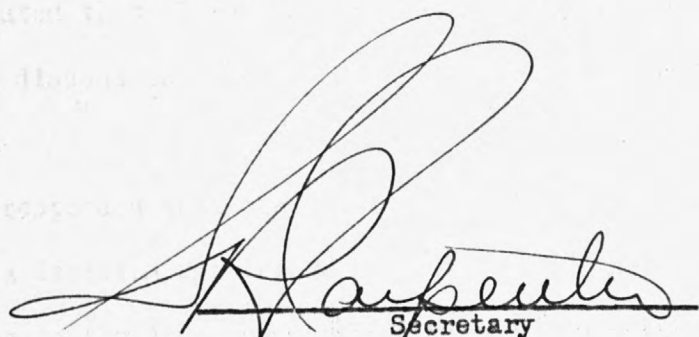
Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, (Attention: Mrs. Garziglia, Room 253, Executive Office Building) Washington, D. C., reading as follows:

"This is in response to your communication of August 3, 1953, enclosing a facsimile of the enrolled enactment of H.R. 5603, a bill 'To amend the Federal Reserve Act so as to authorize national banking associations to make loans on forest tracts', and requesting the comments of the Board of Governors thereon for presentation with the reports of your Bureau to the President.

"The views of the Board with respect to the bill S. 2069, which was in substance identical with H.R. 5603 as enacted, were expressed in a letter dated July 20, 1953, addressed to Senator Homer E. Capehart, Chairman of the Senate Committee on Banking and Currency, a copy of which is enclosed. The Board has no comments to add to those set forth in that letter."

Approved unanimously.


Secretary