

Minutes of actions taken by the Board of Governors of the  
Federal Reserve System on Monday, August 17, 1953.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary

Letter to the Board of Directors, Huntington Station Bank, Huntington  
Station, New York, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment and operation of a branch by the Huntington Station Bank, Huntington Station, New York, on Walt Whitman Road in an unincorporated area of South Huntington, Town of Huntington, New York, provided (1) that the branch is established within one year from the date of this letter and (2) that, prior to its establishment, the bank's capital funds shall be increased \$150,000 by the sale of new stock."

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

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

"This refers to your letter of August 3, 1953, and its enclosures, concerning the eligibility of Mr. Roland A. Bengé, Vice President of The Detroit Bank, Detroit, Michigan, to serve at the same time as a director of The Bank of Livonia, Livonia, Michigan, in view of the prohibition against interlocking relationships contained in section 8 of the Clayton Act and the Board's Regulation L.

"The enclosures with your letter indicate that Mr. Bengé, while Vice President of The Detroit Bank, was one of the incorporators of The Bank of Livonia which was organized in November 1952 and which he served as a director until his resignation subsequent to the advice to him in the letter from the Detroit Branch of your Bank

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"dated May 28, 1953. The desired resumption of such interlocking relationship would seem to be permissible only if the City of Detroit and the City of Livonia are not 'contiguous or adjacent' within the meaning of the exception in paragraph (5) of section 8 of the Act and in the corresponding section 2(d)(5) of the regulation.

"From such enclosures it appears that Livonia and Detroit are both in Wayne County, Michigan; that Livonia, which lies to the northwest of Detroit, is an incorporated city of 36 square miles whose corporate limits are co-extensive with Livonia Township; that Redford Township separates Livonia from Detroit by a distance of approximately 1-1/4 miles at the closest point; that both Redford Township and Livonia are substantially populated and developed areas which lie within the Greater Detroit trading area; and that some of the principal roadways of Livonia, such as Five Mile Road on which The Bank of Livonia is located at number 33014 in the geographic center of Livonia, traverse both Livonia and Redford Township and extend into Detroit. The distance along Five Mile Road from the eastern limits of Livonia to the western limits of Detroit is approximately 2 miles, and the distance along such Road from The Bank of Livonia to the western limits of Detroit appears to be approximately 5 miles.

"The enclosures with your letter show also that The Bank of Livonia is the only unit bank in that city; that the only other banking facilities within the city limits of Livonia are three branches of The National Bank of Detroit; but that there are at least seven other banking offices within a radius of approximately seven road miles of The Bank of Livonia, one of which is a branch of The Detroit Bank at Grand Avenue and Lahser Road in the City of Detroit.

"It is noted that the General Counsel for your bank indicated that he was inclined to believe that Livonia should be considered as 'adjacent' to Detroit.

"On the basis of the information submitted it is the Board's view that, while Livonia and Detroit clearly are not 'contiguous', they should be regarded as 'adjacent' within the meaning of paragraph (5) of section 8 of the Clayton Act and section 2(d)(5) of Regulation L. In the circumstances, therefore, it appears that Mr. Bengé would not be eligible to resume a position as director of The Bank of Livonia while at the same time serving as Vice President of The Detroit Bank."

Approved unanimously.

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

"An inquiry has been received by the Board concerning the permissible rate of interest under section 4(e) of Regulation Q on a loan by a member bank to its depositor 'upon the security of' his time certificate of deposit. Section 4(e) provides that the rate of interest on such a loan 'shall be not less than 2 per cent per annum in excess of the rate of interest on' the deposit.

"Briefly, the certificate in question provides for payment 3 years after date of issue with interest at a rate of 2-1/2 per cent per annum, but provides for earlier withdrawal of the deposit after 90 days' written notice during either of three successive intervals with interest at a rate progressing from 1 to 1-1/2 to 2 per cent per annum, respectively.

"As indicated by the interpretation published at page 721 of the July 1953 Federal Reserve Bulletin and 18 Federal Register 4005, such a certificate complies with the provisions of Regulation Q. The rate of interest payable to the depositor under the terms of the certificate depends upon which of the withdrawal privileges may be elected by him. Accordingly, the Board is of the view that the rate of interest on a loan upon the security of such a certificate of deposit should be no less than 2 per cent per annum in excess of the rate of interest to which the depositor would be entitled if he should exercise the particular withdrawal privilege of the certificate available to him at the time of the maturity of the loan.

"The text of this letter will be published in early issues of the Federal Reserve Bulletin and the Federal Register."

Approved unanimously.

Letter for the signature of the Acting Chairman to Dr. Joaquin Martinez Saenz, President, Banco Nacional de Cuba, Havana, Cuba, reading as follows:

"You may recall that Mr. Martin, Chairman of our Board (who is now temporarily away from Washington), and Mr. Sproul,

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"President of the Federal Reserve Bank of New York, wrote you under date of March 6, 1953, regarding the proposed Fourth Meeting of Technicians of Central Banks of the American Continent. We are deeply gratified by the expressions of interest and cooperation which we received, and very pleased with the suggestions that various institutions sent us for the agenda of the meeting. We are now in a position to write to you further about plans for the meeting.

"We are now contemplating that the meeting will begin on May 3, 1954 and continue until about May 14. This represents an advance of one week from the original schedule of tentative dates which we previously mentioned to you. As previously outlined, the earlier sessions are to be held in Washington and the later sessions in New York.

"Attached to this letter is a tentative draft of an agenda for the meeting. We should like to obtain from your institution at this time any suggestions you may wish to make for revising this agenda before it is put into a more definite form.

"We contemplate that the meeting will include sessions of two kinds. On certain of the topics of the attached provisional agenda, we think it might be desirable to hold 'round-table' sessions. By a 'round-table' session, we mean a session in which a number of technicians would give brief papers (perhaps ten minutes each) on the given topic, each dealing primarily with relevant developments in his own country, after which there would be general discussion on an informal basis.

"The rest of the sessions would be devoted to the presentation and discussion of special papers dealing with the other topics in this outline or with related subjects which the participating institutions may propose. Each session would be devoted to the presentation and discussion of one or two of these special papers. The discussion of each such paper would be led by a member of the conference whom we would nominate for that purpose and who would study the paper in advance of the meeting and present his comments to open the general discussion of the paper.

"Each paper may be submitted in the author's own language. We propose to make arrangements for translations so that all papers which are submitted by a given date, which will be announced later, will be made available to the whole group of technicians in both Spanish and English prior to the opening of the meeting.



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"We should therefore particularly welcome at this time an expression of your institution's views concerning the following matters:

(1) The topics on which technicians from your institution might be asked to prepare special papers -- either topics on this agenda or other topics which you may wish to suggest. In addition, we should be glad to receive any suggestions you may wish to make concerning the names of particular institutions that you consider especially qualified to prepare special papers on others of the agenda topics.

(2) The topics on which technicians from your institution might be asked to open and lead the discussion, assuming that special papers on these topics will be submitted by others.

(3) With respect to the topics planned for 'round-table' discussion, an indication of those on which your delegation might wish to present brief papers dealing with developments or problems in your country.

"We shall greatly appreciate your early consideration of these matters, with a view to letting us have your tentative suggestions by September 15 on the three matters that I have enumerated."

Approved unanimously, together with similar letters to other central banks of the Western Hemisphere and to certain international institutions which had previously been invited to participate in the 1954 meeting.



Secretary