

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 31, 1953. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Youngdahl, Assistant Director, Division  
of Research and Statistics

At the request of the Board, Messrs. Riefler, Thomas, and Youngdahl discussed the cash position of the United States Treasury and prospective changes in the size of the national debt, using as a basis for their comments the recently released mid-year budget review for the fiscal year 1954.

There followed a general discussion of the Treasury position and the economic and credit situation during the course of which Governor Vardaman joined the meeting.

Governor Vardaman stated that he had the impression that when various policy questions were brought before the Board for consideration, there was a tendency for only one point of view to be presented in the comments offered by the Board's staff. He felt that steps should be taken to assure that the different views were presented to the Board

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when staff opinions were not in agreement, and he suggested the possibility of arranging to have a "devil's advocate", particularly with respect to economic and credit matters.

During a discussion of the point raised by Governor Vardaman, reference was made to certain specific occasions when efforts had been made to assure the presentation to the Board of various points of view as, for example, when the services of outside consultants were retained in connection with the recent revision of the Board's consumer credit statistics. Reference was also made to staff discussions where various opinions were freely expressed and considered before submitting matters to the Board.

Governor Robertson stated that in his opinion the Board now got substantially what Governor Vardaman was suggesting, but to assure that this would be the case, he suggested the Board might indicate clearly that when there were sincere and significant differences of opinion within the staff, these should be expressed fully so that the Board might have the benefit of these views in determining the course of action to be followed.

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 Governor Mills present:

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 28, 1953, were approved unanimously.

Memoranda from appropriate individuals concerned recommending personnel actions as follows:

Temporary appointments as Federal Reserve Examiners

Walter E. Jones, Federal Reserve Bank of New York, for a period of three months beginning August 31, 1953.

Roger K. Grobel, Federal Reserve Bank of Minneapolis, for a period of three months beginning September 8, 1953.

Resignations

<u>Name and title</u>	<u>Division</u>	<u>Effective date</u>
Mary Jane Haymaker, Clerk-Stenographer	Research and Statistics	September 2, 1953
Anita B. McCalley, Assistant Manager, Cafeteria	Administrative Services	August 31, 1953

Approved unanimously.

Letter to Mr. Willis, Secretary, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of August 21, 1953, advising that, at the request of the United Nations Relief and Rehabilitation Administration (Relief and Works Agency for Palestine Refugees), the leave of absence without pay granted to Mr. Frederick V. Loud, Economist "B", Foreign Research Division, Research Department, has been extended for a period of approximately two months. It is noted from your letter that the extension of the present leave is to be on the same terms as the original leave, and will permit Mr. Loud to

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finish his assignment in Lebanon on the Agency's staff as Economic Analyst, including the completion of the bulletin of the organization covering the third quarter of 1953.

It is noted further that, after Mr. Loud has completed his assignment, he will travel in Europe and, in this connection, at his request, in addition he has been granted a personal leave of absence without pay until March 1, 1954, when he is expected to return to the Bank.

The Board of Governors interposes no objection to the arrangement with respect to Mr. Loud as described in your letter.

Approved unanimously.

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, 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. 129), 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 June 30, 1953.

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

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Letter to The Honorable, The Comptroller of the Currency,  
Treasury Department, Washington, D. C., reading as follows:

Referring to the Board's letter of August 3, 1953, it is respectfully requested that you place with the Bureau of Engraving and Printing an order for printing 20,000 additional Federal Reserve notes (single units) of the Federal Reserve Bank of New York in the \$100 denomination during the fiscal year ending June 30, 1954.

This order is being placed so as to enable the Bureau of Engraving and Printing to utilize a surplus of 12-note sheets in the \$100 denomination over the amount requested in the Board's August 3 letter.

Approved unanimously.

Letter to Mr. L. A. Jennings, Deputy Comptroller of the  
Currency, Washington, D. C., reading as follows:

This refers to your two letters dated August 14, 1953, concerning the status under section 19 of the Federal Reserve Act and Regulation D of certain so-called "reserve" accounts maintained by national banks in connection with the purchase by such banks from dealers of conditional sales contracts and other customer obligations. One of the letters also raised a question as to a possible violation of Regulation Q.

As you indicated, the interpretation of the Board published at page 302 of the 1942 Federal Reserve Bulletin, which is still in effect, set forth certain principles with respect to whether so-called "reserve" or "differential" accounts set up by banks in connection with the purchase of installment paper constitute deposit liabilities against which reserves must be maintained under Regulation D. It was there pointed out that, in the light of the principles stated, the case then under consideration differed from a case previously considered by the Board in 1938 because of differences in the legal effect of the arrangements



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involved. Since the determination as to whether a deposit liability exists in such cases must depend primarily upon the nature of the agreement between the bank and its customers, the Board in those cases and in other cases involving similar questions has undertaken to express a definite opinion only after consideration of the terms of the particular agreement between the bank and its customer.

For these reasons, the Board feels that it should not attempt to express any definite views as to whether or not the arrangements described in your letters involved the receipt of deposits in the light of the principles set forth in the Board's 1942 interpretation, in the absence of more specific information as to the nature of the arrangements, including an opportunity to review the form of the contracts or agreements between the national banks concerned and their customers and such other information as may indicate the manner in which such arrangements are actually carried out in practice. Similarly, the Board would wish to have such information before attempting to pass upon the question whether any such arrangement involves a payment of interest in violation of Regulation Q.

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

Pursuant to the provisions of section 4(b) of the Federal Deposit Insurance Act, the Board of Governors of the Federal Reserve System hereby certifies that the Bank of Dearborn, Dearborn, Michigan, became a member of the Federal Reserve System on August 26, 1953, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in section 6 of the Federal Deposit Insurance Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,

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4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of the Federal Deposit Insurance Act.

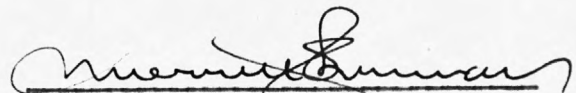
Approved unanimously.

Letter for the signature of the Acting Chairman to the Honorable Harry F. Byrd, Chairman, Joint Committee on Reduction of Nonessential Federal Expenditures, Senate Office Building, Washington, D. C., reading as follows:

In accordance with your letter of August 21, 1953, addressed to Chairman Martin I am happy to enclose for the use of your Committee copies of Standard Form 113 for the months of June and July, 1953.

In the future we will send signed copies of this form and Standard Form 113-A to the address in the Senate Office Building which you give in your letter and any questions which we have related to this report will be referred, as you suggest, to Mr. W. O. Ashe.

Approved unanimously.

  
Assistant Secretary