

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 14, 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. Robertson

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Allen, Director, Division of
Personnel Administration

Chairman Martin stated that pursuant to the understanding at the meeting of the Board on September 10, 1953, he discussed by telephone with Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, the selection of a President of the Dallas Bank. Chairman Martin said that Mr. Parten was most cooperative in every respect about trying to improve the situation at the Reserve Bank, that he indicated he personally would be very happy to look outside the Dallas Bank for an outstanding person to succeed Mr. Gilbert as President, and that if the Board wished to suggest that the Dallas Bank follow this course, he (Mr. Parten) would be very glad to take the matter up with his directors with a view to having them consider several names of the type mentioned in the conversation. Chairman Parten also indicated that in view of the fact that Mr. Gilbert already had retired, there now seemed to be no pressure for immediate action in the matter.

With reference to a comment by Governor Mills, Chairman Martin said that the question of salary did not enter into his conversation with Mr.

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Parten. Governor Szymczak added, however, that in a telephone conversation which he had with Mr. Parten several weeks ago during Chairman Martin's absence, the latter indicated that it might be necessary to offer a salary up to \$35,000 to attract a suitable person from outside the Reserve Bank. He also noted that \$35,000 was the salary recommended by the Dallas directors recently for the President of that institution.

It was agreed that Chairman Martin should indicate to Chairman Parten that he had discussed the matter with the other members of the Board and that it was the view of the Board that the Dallas directors should look outside the Reserve Bank for a President to succeed Mr. Gilbert.

At this point Messrs. Riefler, Assistant to the Chairman; Vest, General Counsel; Young, Director, Division of Research and Statistics; Noyes, Assistant Director, Division of Research and Statistics; and Molony, Assistant to Mr. Thurston, entered the room.

Prior to this meeting there had been sent to the members of the Board copies of a draft of letter for the signature of the Chairman to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, commenting on S. 2180, a bill introduced in the last session of Congress by Senator Beall, of Maryland, which would authorize the Federal National Mortgage Association to exchange mortgages held by it for Government bonds.

Mr. Vest stated that a member of the staff of the Budget Bureau called him on the telephone recently to say that the Bureau was considering

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various legislative proposals with the idea of getting as much cleared as possible before the next session of Congress and that in the circumstances the Bureau would like to know the Board's position on this bill. While the request was informal in nature and Mr. Jones apparently had not actually asked for a report, Mr. Vest said, the draft of letter had been prepared so that the Board might consider what action it would wish to take.

Mr. Vest recalled that several months ago there was a request from the Senate Banking and Currency Committee for the Board's comments on Bill S. 2180 and that a draft of letter to the Committee was prepared. At the meeting on July 1, 1953, however, it was decided not to send a report at that time because it had developed that the bill was not going to be considered during the last session of Congress. The current draft of letter to the Budget Bureau, Mr. Vest pointed out, followed closely the earlier draft of letter to the Senate Banking and Currency Committee.

Mr. Noyes said that the proposal, one which had come from a number of sources, mostly within the mortgage banking fraternity, would permit present holders of United States Government securities, presumably long term 2-1/2 per cent bonds, to exchange them on a par-for-par basis for mortgages held by the Federal National Mortgage Association. Accordingly, financial institutions would be able to dispose of Government securities quoted below par and substitute mortgages at par without taking a loss on their books. From the point of view of the Government, Mr. Noyes said, the proposal would permit extinguishment of some of the Government debt

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and thereby relieve pressure on the national debt limit. The suggested reply, however, would point out some of the difficulties or weaknesses inherent in the bill.

Chairman Martin then inquired of Mr. Noyes whether he felt that a letter should be sent, and Mr. Noyes replied that he thought the ideas expressed in the draft of letter should be passed along to the Administration in some way because the proposal, while having some superficial appeal, was subject to criticism for a number of reasons, including the fact that it would favor certain interests, principally financial institutions holding quantities of Government bonds quoted below par.

Following a further discussion, during which one minor change in the draft was agreed upon, unanimous approval was given to a letter to Mr. Jones reading as follows:

In response to an informal request recently received from your office, we are transmitting herewith some comments on S.2180, a bill introduced in the last session of Congress, to authorize the Federal National Mortgage Association to exchange mortgages held by it for Government bonds.

At the time this bill was introduced Senator Beall, its sponsor, indicated that the purpose was to permit the Government to reduce the national debt by about \$2-1/2 billion and to enable the Government to liquidate the Federal National Mortgage Association. In general, the Board favors the orderly liquidation of the mortgage holdings of the Federal National Mortgage Association. We have some question, however, as to whether the proposed bill would contribute effectively to the accomplishment of this objective.

Unless it is assumed that more favorable terms would be offered by the Federal National Mortgage Association for exchanges

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than would be derived from the relationship between market rates on bonds and mortgages at the time of the offering, there is little basis for assuming that the market for FNMA holdings would be broadened substantially as a result of the enactment of this authority. Assuming that the portfolio of the FNMA is priced realistically in relation to current market rates of interest, holders of marketable Government securities would be at liberty to dispose of these securities and purchase mortgages from the Association to whatever extent this exchange appeared to be in their interest, whether or not the proposed legislation is enacted. The orderly disposal of FNMA's holdings in this fashion would be at least equally beneficial to the Treasury since it would produce cash receipts which would make unnecessary an equivalent amount of borrowing on the part of the Treasury.

The Board is aware of the fact that certain technical advantages have been attributed to the exchange arrangement arising largely from the fact that it would obviate the necessity of showing capital losses on securities which are currently selling on a higher yield basis, i.e., at a lower price, than at the time they were originally acquired. In the Board's opinion this does not offer any real advantage to either the Government or the financial institution concerned and does not constitute a sound basis for authorizing such exchanges. Furthermore, regardless of the good intentions of its sponsors, any proposal which actually or apparently puts a particular group of purchasers in a preferential position with respect to the acquisition of assets owned by the United States Government would be subject to criticism and misunderstanding.

In this connection it might be mentioned that advocates of a proposal along the lines of S.2180 have stated that an advantage of such exchanges would be that they would make it possible for financial institutions to avoid writing down Government bonds purchased at prices above their current market and recording corresponding reductions in their capital accounts. This is not the case. The policy of the Comptroller of the Currency, the Federal Deposit Insurance Corporation, the Board of Governors of the Federal Reserve System and the Executive Committee of the National Association of Supervisors of State Banks, as reaffirmed in their joint statement issued on July 15, 1949, is that, with respect to Government obligations and other Group I securities, neither depreciation nor appreciation will be taken into account in figuring the net sound capital of a bank. So far as we are aware there is

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no inclination on the part of any of the Federal supervisory authorities to adopt any change in bank examination procedure in this respect.

While this bill was introduced for the expressed purpose of enabling the orderly liquidation of the Federal National Mortgage Association, the legislation itself contains no provision to that effect. Technically, under the provisions of existing law, the cancellation of the indebtedness of the Association to the Treasury resulting from exchanges pursuant to the authority contained in S.2180 would permit an equivalent amount of over-the-counter purchases of new mortgages. This would, of course, necessitate an equivalent amount of new borrowing by the Treasury at current rates.

Mr. Noyes then withdrew from the meeting and Mr. Leonard, Director, Division of Bank Operations, entered the room.

Prior to this meeting there had been circulated among the members of the Board a memorandum from Messrs. Leonard and Vest dated September 4, 1953, concerning the manner in which a study of various questions regarding the currency system of the United States might be conducted. The memorandum, which had been prepared pursuant to the discussion at the meeting of the Board on September 4, suggested three alternative courses: (1) appointment of a committee headed by one or more members of the Board, and with representatives from among the presidents of the Federal Reserve Banks, to study broadly all aspects of United States currency, including its composition, issue, transportation, and retirement; (2) establishment of a staff committee to study the composition of the currency, the destruction of Federal Reserve notes, and any other specific topic that the Board might wish to assign; or (3) authorization for Mr. Leonard to accept an invitation

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from Mr. Powell, Chairman of a Special Committee appointed by the Presidents' Conference, to serve as an associate member of that Committee's Subcommittee on Paper Currency, which had been requested to study the problems involved in the provision and destruction of all types of paper currency with a view to determining what position the Reserve Banks should take with regard to this matter in the future.

At the request of the Chairman, Mr. Sherman reviewed the discussion at the meeting of the Board on September 1, 1953, when it was learned that the Subcommittee on Paper Currency had been appointed and he (Mr. Sherman) was requested to contact the appropriate representative of the Presidents' Conference and state that the Board would be pleased to have representation on the Subcommittee, of which Mr. Ueland, of the Minneapolis Bank, was Chairman. Mr. Sherman then summarized his subsequent telephone conversation with President Powell, as the result of which Mr. Powell wrote to Mr. Leonard inviting him to serve as an associate member of the Subcommittee. He also reviewed the discussion at the meeting on September 4, at which time Governor Robertson suggested the establishment of a committee by the Board to study all aspects of currency matters.

Governor Robertson reiterated the view he had expressed September 4 that the Board should take the lead in setting up a study of currency problems by the System as a whole. He suggested that this proposal be discussed with the Reserve Bank Presidents when they were in Washington next week.

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Duplication of effort, Governor Robertson pointed out, could be avoided to some extent by having the System committee take advantage of the studies made by the two Presidents' Conference subcommittees now studying currency matters.

Chairman Martin said that although he agreed with Governor Robertson's view that it would be desirable for the Board to establish a System committee to make a broad study of currency problems, he felt that unless there were serious objections, it would be wise to have Mr. Leonard serve as an associate member of the Subcommittee on Paper Currency.

Governor Robertson said it had been his thought that the members of the Subcommittee on Paper Currency might feel more free to reach their own conclusions if there was no representative of the Board on the Subcommittee but that he would have no objection to Mr. Leonard's serving as an associate member.

Mr. Leonard then discussed the role of an associate member on committees and subcommittees of the Presidents' Conference, stating that although such associate members usually made suggestions and endeavored to be of assistance in any way possible, they did not vote and it was not customary for them to attempt to assume a position of leadership. He pointed out that the device of associate membership afforded an opportunity for closer contact between the Board and the Reserve Banks and that it provided more accurate and more up-to-date information for the Board with

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regard to matters under consideration by the Presidents' Conference.

In reply to an inquiry, Mr. Leonard stated that he felt the work of the proposed System committee and that of the Subcommittee on Paper Currency might proceed more expeditiously if a Board representative working with the System committee was also serving as an associate member of the Subcommittee.

After further discussion, Chairman Martin suggested that Mr. Leonard be authorized to serve as an associate member of the Subcommittee on Paper Currency, that Governor Robertson be designated by the Board to serve as Chairman of a System committee which would make a broad study of various questions in connection with the currency system of the United States, and that Governor Robertson be authorized to make use of the services of such members of the Board's staff as he might desire.

Chairman Martin's suggestions were approved unanimously, with the understanding that the establishment of the System committee would be discussed with the Presidents of the Federal Reserve Banks at the time of the forthcoming Presidents' Conference.

In connection with the foregoing action, Governor Vardaman suggested that the Treasury Department be advised of the establishment of the System committee and the nature of the study which it would conduct.

There was agreement with Governor Vardaman's suggestion.

Mr. Leonard then withdrew from the meeting.

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Reference was made to the discussions at the meetings of the Board on August 5 and August 26, 1953 of proposed changes in the Board's leave regulations and policies in the light of Public Law 102, signed by the President of the United States on July 2, 1953. At Chairman Martin's request, Mr. Allen summarized the contents of a memorandum dated August 13, 1953, prepared in the Division of Personnel Administration, containing certain recommendations agreed upon by the staff reading as follows:

1. It was the consensus of the staff that the proposed reduction in the maximum permitted accumulation of leave from 60 to 30 days should be applied as contemplated by the legislation, so that leave earned in 1953 could not be accumulated at the end of the year beyond a total of 30 days. This would mean that if an employee at the beginning of 1953 had 30 or more days of accumulated leave he would have to take all leave earned this year or lose it. If on January 1, 1953, he had accumulated less than 30 days' leave, he could accumulate up to a total of 30 days from leave earned this year.

2. The staff discussion brought out what appeared to be the intent of the new legislation, that no employee should be required to lose leave accumulated in earlier years but rather that a program should be worked out so that employees would be encouraged or required to use their accumulated leave and so that the liability of the Government for such leave would be reduced.

Accordingly, the staff recommends that the Board request the respective Division Heads to urge employees who have in excess of 30 days' accumulated leave to take every reasonable opportunity to use their leave so that the excess will be eliminated as promptly as practicable without impairment of the effective discharge of the Board's work and without an increase in the staff. In making this recommendation the staff was of the opinion that there would be opportunities for employees to take one or two days' leave at a time in addition to their vacation periods without adverse effect upon the Board's work if it were understood that they were encouraged

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to do so and there would be no suggestion or feeling on the part of the Board or their Division Head that in taking such leave they were abusing a privilege or that they were not conscientious in their work.

In making this recommendation, it was understood that after other Government agencies have established their program the situation will be reviewed and in the event that there is material difference between the Board's program in this respect and that of the other Government agencies, the matter will be called to the attention of the Board.

If this recommendation is approved, the Division of Personnel Administration will submit a report to the Board as of January 1 of each year showing the progress made in reducing accumulated leave so that if the reduction is not proceeding as rapidly as the Board feels desirable further steps may be taken at that time. It was the feeling of the staff that more frequent reports would not be significant because of the irregularity with which leave is taken during the course of the calendar year.

3. The group agreed with the recommendation made in the memorandum of July 10 that the Board not follow the change in lump-sum payments; in other words, an employee separating from the Board would receive a lump-sum payment equal to the leave he had earned through the date of his separation or death rather than the amount to his credit as of the beginning of the year.

4. The group also agreed with the recommendation with respect to the transfer of leave, i.e., that, for the reasons stated, action on this provision be deferred to a later date.

During the ensuing discussion, Governor Robertson said that he agreed with the proposal to reduce to 30 days the maximum amount of leave that could be accumulated by employees of the Board but that he did not feel that employees should be forced to take leave which had been accumulated in the past under rules then in effect, particularly since this was not required for other Government employees under Public Law 102. With respect

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to the staff recommendation regarding lump sum payments covering leave upon separation from service, Governor Robertson felt that the Board should conform with the policy expressed in Public Law 102 even though in practice the treatment accorded an employee who separated from service by resignation might differ from that of a beneficiary of an employee who died in active service.

Mr. Allen stated that the reason for the staff recommendation on the latter point was that an employee resigning from the Board's service could be expected to date his resignation so as to make it effective at the expiration of a period which would include unused leave earned during the current year, whereas the employee who died in service would, of course, not be able to take advantage of forward dating. He stated also that in signing the new law, the President had commented on the inequity represented by this provision and expressed the hope that the Congress would modify it.

Governor Vardaman referred to the second recommendation of the staff set out above, stating that he felt strongly the Board should not urge any employee to take leave previously accumulated under rules in effect at the time of such accumulation. Further, with respect to the first recommendation of the staff, Governor Vardaman felt that the change in the Board's leave program should not become effective on a retroactive basis, that is, it should not be dated back to the beginning of 1953 if it caused

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any employee affected by the change to lose leave earned during 1953.

In a discussion of the latter point, Mr. Vest pointed out that when Public Law 102 was signed by the President last July, employees in all Government departments and agencies covered by the law were put on notice that they would have to take leave earned during 1953 before the end of this year or lose it to the extent that it would result in carrying forward in excess of 30 days at the end of 1953. Whereas those employees had had almost six months' notice of the provision, a change at this time in the Board's leave regulations would provide only about three months for Board employees to use their 1953 leave. Thus, the situation might result in numerous Board employees being unable to take current leave during 1953 without undue inconvenience either to the Board or to the employee.

Chairman Martin said that, although he felt the effective date for applying the 30 day maximum on leave accumulation should be the beginning of 1953, the same as provided for other Government employees under Public Law 102, in view of all the circumstances it might be desirable for the Board to consider on an ad hoc basis the situation with respect to any employee who, at the end of 1953, had been unable, either because of the Board's work or the employee's convenience, to use all leave earned during 1953 except that which would not result in an accumulation of more than 30 days at the end of the year.

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Governor Vardaman concurred in this suggestion, stating that he felt no employee should have to forfeit leave earned in 1953 because of a change in the Board's leave policy, and he suggested that each division head be instructed to review the situation in his division at the end of this year and bring to the Board's attention the case of any employee who, under the new program, would lose leave earned during 1953.

Governor Evans stated that he was disturbed by the suggestion made by Governor Robertson that the Board adopt the same program as provided under Public Law 102 with respect to lump sum payments for leave for persons separating from the Board's service. He felt that adoption of a rule which precluded any lump sum payment for unused leave earned during the current year might work a hardship on the beneficiary of an employee who died in service.

Chairman Martin stated that, after careful consideration of the matter, he had come to the conclusion that the Board would not be justified in departing from the provisions of the Government leave law on that point. He also expressed the view that the number of cases where any injustice might be done would be negligible.

Governor Mills suggested that in any such case, if the Director of the Division of Personnel Administration felt that a hardship would result for the family of an employee who died in service, he should feel free to bring it to the Board for consideration.

Chairman Martin stated that he would agree with this suggestion

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and he then requested Mr. Allen to summarize his understanding of the points on which tentative agreement had been reached during the foregoing discussion.

These points were summarized by Mr. Allen as follows:

(1) With respect to the reduction to 30 days in the maximum amount of leave that may be accumulated hereafter, the effective date is to be January 1, 1953, except that any case in which it is not feasible for an employee to use leave earned during 1953 would be brought to the attention of the Board at the end of the year.

(2) The director of each Office or Division of the Board would be asked to take every reasonable opportunity to permit each employee to reduce leave carried forward from 1952 in excess of 30 days.

(3) With respect to lump sum payments for employees separating from the Board's service, the Board would follow the same provisions as those required in Public Law 102, with the understanding that where a death occurred in the case of an employee who had not used all his current annual leave, the case could be brought to the attention of the Board.

Mr. Allen went on to say that in connection with the second point, the staff recommendation provided that as of January 1 each year the Personnel Division would submit to the Board a report showing the progress made in reducing accumulated leave so that if the reduction was not proceeding as rapidly as the Board felt was desirable, further steps could be taken.

Governor Verdaman said that he would object to having such a report prepared, that he did not feel there should be any coercion on an employee to reduce leave previously accumulated, and that the mere preparation

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of such a report showing the status of leave accumulated by individual employees might be interpreted as an attempt to bring moral pressure on employees to reduce their leave accumulations.

Governor Robertson suggested that a year-end report would be useful for the purpose of indicating the extent to which the Board's staff as a whole was accumulating leave but that such a report should be in aggregate terms only and should not contain information regarding any individual.

Mr. Allen stated that he also understood that the staff would be expected to submit a further recommendation with respect to the transfer of leave concerning which no specific recommendation had been made in the memorandum dated August 13, 1953.

Thereupon, unanimous approval was given to changes in the Board's leave policies as follows:

(1) The maximum amount of annual leave which may be carried forward from year to year is reduced to 30 days, except that any employee who carried forward from 1952 an amount in excess of 30 days may continue to carry that amount until used but may not add to it. In taking this action, it was agreed that special consideration should be given in the application of the new rule to the calendar year 1953 and that, if there were cases in which it was not reasonably convenient to the Board and to the employee for the employee to take all of his current leave for 1953 in this calendar year (except to the extent that leave may be added to an accumulation of less than 30 days), such cases would be brought to the attention of the Board at the end of the year.

(2) In the future all employees should be given, and it was hoped that they would take, every reasonable opportunity to use annual leave accumulated in excess of 30 days,

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so that over a period of years this excess would be reduced. In taking this action, it was understood that there should be no coercion of an employee to take leave accumulated up to the end of 1952 under rules previously in effect. It was further understood that the Division of Personnel Administration would submit to the Board after the close of each year a report showing in the aggregate changes in accumulated leave of Board employees, but that such report should not contain any information with respect to individual employees.

(3) Effective October 1, 1953, lump sum payments for annual leave in the case of employees separating from service will be limited to an amount representing leave carried over from the preceding calendar year, or 30 days, whichever is greater. This action was taken with the understanding that in any case in which application of the rule might result in hardship to an employee or his beneficiary, the Director of the Division of Personnel Administration should feel free to present it to the Board for its consideration.

(4) It was understood that the staff would submit to the Board at a later date a recommendation with respect to a change in the leave regulations regarding transfer of leave. It was also understood that amendments to the appropriate sections of the Board's leave regulations to carry out the foregoing changes would be submitted for the consideration of the Board at a later date.

Secretary's note: In accordance with the foregoing action, a notice of the changes in leave policy as agreed upon at this meeting was sent to each member of the Board's staff under date of September 29, 1953.

Mr. Allen then withdrew from the meeting.

Governor Evans stated that he would like to have put on the agenda for discussion at a meeting of the Board at the first opportunity the question of a further reduction in reserve requirements of member banks.

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Chairman Martin stated that copies of the usual memorandum from the Federal Advisory Council containing the statements of the Council with respect to the topics to be discussed at the joint meeting of the Board and the Council tomorrow would be sent to the members of the Board today, but that in the absence of a request from some member of the Board, there would be no separate meeting of the Board to discuss this memorandum prior to the joint meeting with the Council since the topics were general in nature and did not require any specific expression of views by the Board.

There was presented a request that Mr. Young, Director, Division of Research and Statistics, be authorized to travel to New York, New York, on September 22 and 23, 1953, to attend a meeting of the Fiscal, Monetary, and Debt Management Policy Committee of the Committee for Economic Development.

Approved unanimously.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 11, 1953, were approved unanimously.

Memorandum dated September 14, 1953, from Mr. Allen, Director, Division of Personnel Administration, recommending the reemployment of Mrs. Dorothy S. Mooney, who had been on maternity leave since June 15,

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1953, as Secretary to Governor Robertson, effective September 14, 1953, with no change in her previous basic salary at the rate of \$5,800 per annum.

Approved unanimously.

Letter to Mr. Erickson, President, Federal Reserve Bank of Boston, reading as follows:

Reference is made to your letter of September 1, 1953, in which you request approval of a new salary structure for the Federal Reserve Bank of Boston under the Plan of Job Classification and Salary Administration which has been approved by your Board of Directors.

The Board of Governors approves the following minimums and maximums for the respective grades at the Federal Reserve Bank of Boston to be effective September 2, 1953:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1800	\$2400
2	1920	2580
3	2040	2760
4	2220	3000
5	2400	3240
6	2640	3540
7	2880	3840
8	3180	4290
9	3600	4800
10	4000	5400
11	4500	6100
12	5100	6900
13	5700	7700
14	6500	8800
15	7500	10200
16	8600	11600

The Board approves the payment of salaries to the employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is assumed that all employees whose salaries are below the minimum of their grades as a

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result of the structure increase will be brought within the appropriate range as soon as practicable and not later than November 30, 1953.

Approved unanimously.

Letter to Mr. Coleman, Federal Reserve Agent, Federal Reserve Bank of Chicago, reading as follows:

In accordance with the request contained in Mr. Meyer's letter of September 8, 1953, the Board of Governors approves the payment of salary to Mr. Clarence W. Kolz, Alternate Assistant Federal Reserve Agent, at the rate of \$6,600 per annum, effective September 7, 1953.

Approved unanimously.

Letter to the Board of Directors, Rhode Island Hospital Trust Company, Providence, Rhode Island, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment and operation of a branch at 63 Westminster Street, Providence, Rhode Island, by Rhode Island Hospital Trust Company, provided the absorption of The Phenix National Bank of Providence, Providence, Rhode Island, is effected substantially as proposed and prior formal approval of the appropriate State authorities is obtained.

In connection with the proposed absorption of The Phenix National Bank of Providence by Rhode Island Hospital Trust Company, the Board of Governors gives its consent to the transaction as required under Section 18(c) of the Federal Deposit Insurance Act provided (a) the banking house, furniture and fixtures acquired from The Phenix National Bank of Providence are not placed on the books of Rhode Island Hospital Trust Company at an amount in excess of depreciated value computed for Federal income tax purposes, and (b) securities owned by The Phenix National Bank of Providence will be acquired by Rhode Island Hospital Trust Company at market values on or about October 31, 1953.

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

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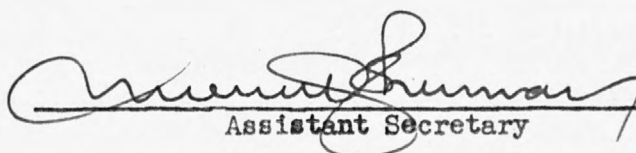
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Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

The Board of Governors has reviewed the condition of the Bank of Rogers Park, Chicago, Illinois, as disclosed by reports of examination of the bank, including examination made as of the close of business January 5, 1953, and in view of its undercapitalized condition has concluded that immediate corrective steps should be taken by the bank.

It is requested that you advise the bank that in the Board's opinion the aggregate amount of its capital funds is inadequate and that, pursuant to the provisions of Section 7 of Regulation H issued by the Board of Governors, such capital funds should be increased through the sale of additional common stock for cash to provide not less than \$400,000 net additional capital funds. It is requested further that the bank advise within sixty days the steps it will take to comply with this request.

Approved unanimously.


Assistant Secretary