

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 28, 1953. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Mills
Mr. Robertson

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Allen, Director, Division of
Personnel Administration

Governor Mills referred to a letter addressed to the Board under date of September 17, 1953, by Mr. Young, President of the Federal Reserve Bank of Chicago, regarding the continuous borrowing by the Michigan National Bank, Lansing, Michigan, from the Detroit Branch since March 26, 1952. After reviewing discussions which had been held by officers of the Reserve Bank with Mr. Howard J. Stoddard, President of the member bank, commencing in the latter part of 1952, and correspondence between the Reserve Bank and Mr. Stoddard, the letter indicated that although Mr. Stoddard recognized the soundness of the principle that Federal Reserve credit should be used only for temporary seasonal and emergency needs, it was also his opinion that there was nothing in the Federal Reserve Act or in the Board's regulations which prohibited the bank from availing itself of credit for continuous periods, and he justified his borrowing (which was admittedly for the purpose of increasing the bank's capital base in order to obtain a greater exemption from the excess profits tax) on the

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premise that the excess profits tax is unjust and inequitable, particularly in the case of his bank, which does not have a long history of profits. Mr. Young's letter stated that it was contemplated that if the bank presented another application for credit at the expiration of the present maturity, Mr. Stoddard would be advised that while credit was being extended for an additional 15-day period, it was with the understanding that he would make whatever arrangements were necessary so as to be in a position to operate on his own resources thereafter. The letter concluded with the statement that the Reserve Bank believed this to be purely a case of undue use of Reserve Bank credit, that this report was being submitted pursuant to section 4 of the Federal Reserve Act merely as a matter of information, and that the Reserve Bank did not recommend that the Board of Governors take any action.

Governor Mills expressed the view that the letter might be regarded, as President Young had indicated, as merely constituting advice to the Board of the situation to which it referred. After calling attention to paragraph 8 of section 4 of the Federal Reserve Act, particularly that portion which states that "the Chairman of the Reserve Bank shall report to the Board of Governors of the Federal Reserve System any such undue use of bank credit by any member bank, together with his recommendation", Governor Mills stated that in the absence of such a letter from Mr. Coleman, Chairman of the Chicago Bank, he felt that the Board was

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not called upon to take any steps at this time looking toward the possible suspension of the member bank from the use of the credit facilities of the Federal Reserve System. In further comments, Governor Mills referred to the membership of Chairman Coleman on the System committee studying the discount and discount rate mechanism and stated that in view of Mr. Coleman's active participation in the committee's discussions he felt it was quite likely that a correction of the situation described in President Young's letter would be effected within the Reserve Bank.

Following a discussion, it was agreed unanimously that the letter from President Young should be considered as a matter of information which called for no action on the part of the Board of Governors at this time.

There followed a discussion, during the course of which Mr. Thurston withdrew from the meeting, of the appointments of Class C directors at the Federal Reserve Banks that would have to be made by the Board for terms beginning January 1, 1954. The discussion was based on information contained in memoranda which Mr. Allen had sent to the members of the Board, including names of various persons who might be considered as Reserve Bank and branch directors.

It was the tentative conclusion of the members of the Board present:

(1) That the following should be reappointed as Class C directors of the Reserve Banks indicated for 3-year terms beginning January 1, 1954:

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<u>Name</u>	<u>Bank</u>
Karl T. Compton	Boston
Jay E. Crane	New York
John C. Virden	Cleveland
Cecil Puckett	Kansas City
Hal Bogle	Dallas

(2) That the following should be designated as Chairmen and Federal Reserve Agents of the Reserve Banks indicated for the year 1954:

Harold D. Hodgkinson	Boston
Jay E. Crane	New York
William J. Meinel	Philadelphia
John C. Virden	Cleveland
John B. Woodward, Jr.	Richmond
Rufus C. Harris	Atlanta
John S. Coleman	Chicago
Raymond W. Hall	Kansas City

(3) That the following should be designated as Deputy Chairmen of the Reserve Banks indicated for the year 1954:

Ames Stevens	Boston
William I. Myers	New York
Leo L. Rummell	Cleveland
Bert R. Prall	Chicago
Cecil Puckett	Kansas City

(4) That Mr. Alonzo G. Decker, Jr., now a director of the Baltimore Branch, should be appointed as a Class C director of the Richmond Bank for a 3-year term beginning January 1, 1954.

There was an informal discussion of who might be appointed to fill other pending vacancies, during which it was suggested that Governor Mills make a trip to the West Coast later this year to study the question of possible successors on the board of the San Francisco Bank to Chairman

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Wilbur and Deputy Chairman Wallace, both of whom would be ineligible for reappointment under the plan of rotation of Class C directors adopted by the Board last year.

Chairman Martin then requested that Mr. Allen prepare and submit to the members of the Board a memorandum setting forth the tentative decisions reached at this meeting, together with a statement of the remaining vacancies at the Reserve Banks and branches which would have to be filled by the Board.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 25, 1953, were approved unanimously.

Memorandum from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of the following employee in that Division be accepted:

<u>Name and title</u>	<u>Effective date</u>
Mary C. Tippet, Telephone Operator	October 16, 1953

Approved unanimously.

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

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In accordance with the request contained in your letter of September 22, 1953, the Board approves the designation of Mr. Cecil L. Williams and Mr. Samuel F. Murphy, Jr., as special assistant examiners for the Federal Reserve Bank of Atlanta, for the specific purpose of rendering assistance in the examinations of State member banks only.

Approved unanimously.

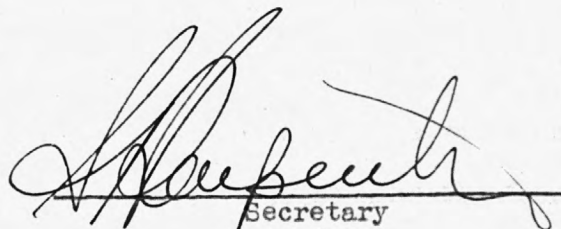
Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

Reference is made to your letter of September 10, 1953, submitting the request of the Newton-Waltham Bank and Trust Company, Waltham, Massachusetts, for permission to establish a branch in the vicinity of the intersection of Watertown and Adams Streets, Newton, Massachusetts.

The Board of Governors has given careful consideration to the information submitted and to other pertinent factors and has reached the conclusion that it should not approve the establishment of the proposed branch because, in its judgment, present banking facilities are adequate to meet the needs of the community, and the establishment of the proposed branch would create an overbanked situation in the area.

It is requested that you advise the bank accordingly.

Approved unanimously.


Secretary