

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, September 30, 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. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Thurston, Assistant to the Board  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Youngdahl, Assistant Director, Division  
of Research and Statistics

Reference was made to a memorandum dated September 29, 1953, from Mr. Hackley, Assistant General Counsel, which stated that there had been released that morning an Executive Order, signed by the President on September 26, transferring the defense lending functions of the Reconstruction Finance Corporation under section 302 of the Defense Production Act, not to General Services Administration, as had been contemplated in recent discussions of the Board, but to the Secretary of the Treasury. The Executive Order, a copy of which was attached to the memorandum, made it clear that the functions transferred to the Treasury included the administration and servicing of all section 302 loans heretofore made by the Reconstruction Finance Corporation, and it provided that loans should be made upon such terms and conditions as the Secretary of the Treasury should determine, that they should be made only after determination

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that the financial assistance requested was not available from either private or other Governmental sources, and that they should be made only upon a certificate of essentiality issued by the Director of the Office of Defense Mobilization. The Executive Order, which did not mention the use of the Federal Reserve Banks as fiscal agents, specifically provided that applications for loans might be received either by the Secretary of the Treasury or "by such agencies of the Government as the Secretary shall designate for this purpose".

It was understood that the memorandum and its attachment would be circulated among the members of the Board for their information.

There followed an informal discussion relating to developments in the Government securities market at the conclusion of which the meeting 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 29, 1953, were approved unanimously.

Memoranda from appropriate individuals concerned recommending that the resignations of the following employees be accepted:

<u>Name and title</u>	<u>Division</u>	<u>Effective date</u>
Benjamin W. Metcalf, Assistant Federal Reserve Examiner	Examinations	October 23, 1953
Helen A. Templeton, Statistical Clerk	Bank Operations	September 25, 1953

Approved unanimously.

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Letter to the Board of Directors, Mechanics and Merchants Bank, Richmond, Virginia, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at 3415 Hull Street, Richmond, Virginia, by Mechanics and Merchants Bank, Richmond, Virginia, provided the branch is established within six months of the date of this letter.

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

Letter to the Board of Directors, The Colonial Trust Company, Pittsburgh, Pennsylvania, reading as follows:

Pursuant to the request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors approves the establishment and operation of a branch at 8005-8007 McKnight Road, McCandless Township, Pennsylvania, by The Colonial Trust Company, provided the branch is established within six months after the date of this letter.

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

Letter to Mr. Rouse, Vice President, Federal Reserve Bank of New York, reading as follows:

This refers to your letter of September 2, 1953, which presents two questions regarding dollar exchange acceptances, and with which you enclosed, among other things, a copy of a letter of August 19, 1953, from the Irving Trust Company to your Bank on the subject.

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Your first question relates to the statement with regard to dollar exchange acceptances in the Board's letter of August 4, 1953 that:

" . . . Regulation C contemplates that such drafts can and will be liquidated at maturity 'through the proceeds of export documentary bills or from other sources reasonably available to such foreign bank or banker (that is, the drawer) arising in the normal course of trade' (section 2(c)(2))."

The Irving Trust Company asks in effect whether this requirement would be met in a case in which it was contemplated that a three months' draft would ultimately be liquidated through sources "arising in the normal course of trade", but in which it was also expected that the means of paying the draft would not be available until after the three months' period, and that in the meantime the original draft would be renewed (or would be paid by the issuance of a new draft).

The Board agrees with your view that such drafts would fail to meet the requirements. The expectation of liquidation through proceeds arising as indicated above "in the normal course of trade" applies to liquidation of each draft at its maturity, and if renewals or refinancings through new bills are contemplated, the paper does not meet the requirements of Regulation C.

Your second question concerns relationship between the position indicated above and the Board's view, as stated in its letter of August 4, that a member bank may make a commitment running for as long as one year to accept dollar exchange drafts having a maturity of not more than three months. As you suggest, the two positions are thoroughly consistent, since the year-long commitment described in the Board's letter of August 4 was to relate only to drafts which conform to the applicable requirements, including the requirement that no maturity exceed three months, and that at the time of acceptance all bills are expected to be paid at maturity from proceeds arising in the normal course of trade.

Of course, as indicated in the previous letters on this subject, the fact that a transaction does not qualify for the creation of dollar exchange acceptances should not in

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any way be considered as an indication that it can not properly be financed through some other form of credit such as, for example, a direct loan.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. W. M. Taylor, Deputy Comptroller of the Currency) reading as follows:

Reference is made to a letter from your office dated July 22, 1953, enclosing photostatic copies of an application to organize a national bank at Pompano Beach, Florida, under the title of "First National Bank of Pompano Beach" and requesting a recommendation as to whether or not the application should be approved.

Information contained in a report of investigation of the application made by a representative of the Federal Reserve Bank of Atlanta indicates that the organizers plan to increase the proposed capital structure of the bank from \$300,000, as shown in the application, to \$400,000 consisting of \$250,000 capital stock, \$100,000 surplus, and \$50,000 undivided profits. Other information with respect to the factors usually considered in connection with such applications discloses that at least some doubt exists as to the need for additional banking facilities in the community and to the future profitable operations of the proposed bank. This same situation existed in December, 1952, when the previous application for a charter at Pompano Beach by the same organizers was considered by the Board. However, after weighing all factors and in view of the desirability of providing banking competition in the community, the Board of Governors recommends approval of the application provided arrangements are made for management satisfactory to your office.

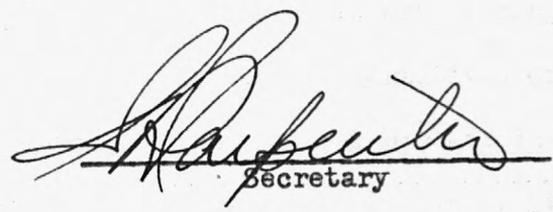
The Board's Division of Examinations will be glad to discuss any aspects of this case with representatives of your office, if you so desire.

Approved unanimously.

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Mr. Carpenter reported that the Comptroller of the Currency would issue a call on October 2, 1953, on all national banks for reports of condition as of the close of business on September 30, 1953, and that, in accordance with the usual practice and the Board's letter of September 30, 1953, a call would be made on October 2 on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of September 30, 1953.

The call to be made on behalf of the Board on October 2, 1953, was approved unanimously.

  
Secretary