

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 27, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board

Chairman Martin presented a letter dated January 20, 1954, from Mr. William Diebold, Jr., Director of Economic Studies of the Council on Foreign Relations, to Mr. Riefler, Assistant to the Chairman, regarding a study by the Council of sterling area problems in relation to the international financial policies of the United States. The letter stated that as part of this investigation, in which the Council was being assisted financially by the Rockefeller Foundation, a small study group was being organized under the chairmanship of Dr. John H. Williams, and Mr. Riefler was invited to be a member of that group. The letter also stated that the first meeting of the study group was scheduled for February 10, 1954, at the Council's offices in New York City, that the group would meet monthly between February and May, and that it would come together again in the fall for several meetings.

Following a discussion, the Board approved unanimously Mr. Riefler's accepting the invitation to become a member of the study group, with the understanding that expenses incurred by him in connection with attendance at the meetings would be paid by the

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Board in accordance with the Board's travel regulations and with the further understanding that Mr. Riefler would not be a signer of any report that might be prepared as a result of the study.

At this point Mr. Solomon, Assistant General Counsel, entered the room.

Early yesterday Mr. William A. Devin, Jr., Acting General Counsel of the Reconstruction Finance Corporation, sent to Mr. Solomon, with a letter of transmittal, copies of (1) a press release announcing the plan for sale of participations in certain RFC loans to commercial banks, (2) a second press release describing the operation of the plan, and (3) a statement entitled "Utilization of Federal Reserve Banks for Accounting and Reporting Functions under the Proposed Participation Plan". The press statements were marked for release at 3:00 p.m. yesterday, coincident with a speech being given by Mr. Cravens, Administrator of the Reconstruction Finance Corporation, before the American Bankers Association's National Credit Conference in Chicago, while, according to a statement made by Mr. Devin to Mr. Solomon, the paper concerning the utilization of the Reserve Banks for accounting and reporting functions was prepared for internal use only.

The press releases, in the form transmitted to Mr. Solomon, contained references to the Federal Reserve Banks as fiscal agents of the Reconstruction Finance Corporation in connection with the plan, including issuance of "certificates of interest" by the Reserve Banks to

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participating banks, and to use of the certificates as collateral for borrowings from the Federal Reserve Banks.

Governor Szymczak said that after he and Governor Robertson had discussed the press releases with Mr. Solomon, he called Mr. Young, President of the Federal Reserve Bank of Chicago, on the telephone, pointed out the undesirable references to the Federal Reserve Banks, and suggested to President Young that he try to reach Mr. Cravens and urge that the references be omitted. To avoid any possibility of a misunderstanding, Governors Szymczak and Robertson sent a confirming telegram to President Young, and copies of the telegram were sent by messenger to the offices of Messrs. Cravens, Devin, and Burgess, Deputy to the Secretary of the Treasury.

Governor Szymczak went on to say that following additional telephone conversations between Mr. Solomon and Messrs. Devin and Young, Mr. Devin advised Mr. Solomon during the afternoon that Mr. Cravens had been contacted and that, although time did not permit the preparation of new press releases, the objectionable language had been stricken out.

Governor Szymczak also said that he called Mr. Burgess on the telephone and discussed the situation, and that copies of the three documents received from Mr. Devin were sent to President Young and Mr. Hodge, Chairman of the Legal Subcommittee of the Presidents' Conference.

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Governor Robertson pointed out that the paper concerning the proposed functions of the Federal Reserve Banks contained a statement that audits of the pertinent records of banks designated to service the RFC loans would be incorporated in the regular bank examination procedure. He said that the fact that such a plan was contemplated had not come to his attention previously.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 26, 1954, were approved unanimously.

Memorandum dated January 25, 1954, from Mr. Sloan, Director, Division of Examinations, recommending that the resignation of Shelly L. Suddith, Stenographer in that Division, be accepted effective February 5, 1954.

Approved unanimously.

Letter to Mr. Woolley, Secretary pro tem, Federal Reserve Bank of Kansas City, reading as follows:

The Board of Governors approves the reappointments of Messrs. Mason L. Thompson, Thomas McNally, Harold F. Silver, Albert R. Waters, and William N. Deramus as members of the Industrial Advisory Committee for the Tenth Federal Reserve District to serve for terms of one year each beginning March 1, 1954, in accordance with the action taken by the Board of Directors as reported in your letter of January 19, 1954.

Approved unanimously.

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Letter to the Board of Directors, Peoples Savings Bank & Trust Company, Wilmington, North Carolina, 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 the corner of 17th and Dawson Streets, Wilmington, North Carolina, by Peoples Savings Bank & Trust Company, Wilmington, North Carolina, provided the bank's investment in bank premises will not be carried on its books in excess of \$200,000, the amount of the bank's capital stock, and the branch is established within six months from the date of this letter.

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

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

Reference is made to your letter of January 18, 1954, and enclosures, requesting an expression of the Board's views as to whether removal by the Deposit Guaranty Bank & Trust Company, Jackson, Mississippi, of the branch which it operates at 233 East Capitol Street to a building at 153 East Amite Street, presently owned and used as a parking garage, would constitute the establishment of a new branch under the provisions of Section 8(b) of Regulation H.

It is evident from the sketch submitted that both locations are in the same immediate neighborhood and you state officials of the bank tell you there will be no change in the type of business conducted by the branch. In these circumstances, the mere relocation of the branch would seem clearly to come within the exceptive language of paragraph 7 of Section 8(b). However, it is understood from the bank's letter of January 16, 1954, that the management of the Deposit Guaranty Bank & Trust Company would like to close the 233 East Capitol Street office now and have a reasonable time in which to make necessary alterations to the building at 153 East Amite Street to permit drive-in banking. In the Board's opinion this procedure would

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constitute discontinuance of the East Capitol Street Branch and the establishment of a new branch on East Amite Street. Consequently, unless the relocation is effected without any cessation in the customary banking functions performed by the branch, the Board's approval of the establishment of the East Amite Street branch would be required under Regulation H. Please advise the member bank accordingly.

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 December 14, 1953, transmitting additional information with respect to the application to organize the First National Bank of East Lansing, East Lansing, Michigan, and requesting a further recommendation as to whether or not the application should now be approved.

Based upon information obtained from the Federal Reserve Bank of Chicago with respect to the revised plans of the organizers, it now appears that the management of the proposed bank may be regarded favorably, provided it can retain its independence. This information permits somewhat more favorable consideration of the factors pertinent to this proposal, and the Board of Governors feels justified in recommending approval of the application, provided your office is satisfied that neither the Michigan National Bank of Lansing nor its management will be in a position to influence the management of the proposed bank.

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.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., prepared pursuant to action taken by the Board on August 26,

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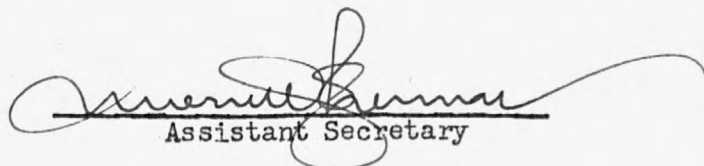
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1953, and reading as follows:

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 Occidental Savings & Commercial Bank, Los Angeles (North Hollywood), California, became a member of the Federal Reserve System on January 19, 1954, 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,
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.


Assistant Secretary