Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Monday, February 1, 1954. 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. Vest, General Counsel

There was presented a memorandum dated January 28, 1954, from
Mr. Thomas, Economic Adviser to the Board, in which Mr. Thomas stated
that he had been invited to discuss Federal Reserve policies at the
February 23, 1954, session of a course on "The Economics of Banking and
Monetary Policy" being given by the American Institute of Banking in
New York City.

Mr. Thomas was authorized to
accept the invitation.

Governor Szymczak stated that in accordance with the understand-
ing reached at the meeting of the policy committee on fiscal agency opera-
tions on January 15, 1954, Mr. Leach, Chairman of the Presidents' Con-
ference, had appointed an ad hoc committee, with Mr. Rouse, Vice President
of the Federal Reserve Bank of New York, as Chairman, to discuss with
Mr. Bartelt, Fiscal Assistant Secretary of the Treasury, the issuance
of instructions to the Federal Reserve Banks in connection with the po-
licing of subscriptions for issues of Treasury securities. He said that
the ad hoc committee was planning to meet at the Federal Reserve Building on February 9, 1954, and at the Treasury that afternoon, and that Mr. Rouse had invited Mr. Leonard, Director of the Division of Bank Operations, to meet with the committee.

Acceptance by Mr. Leonard of the invitation to meet with the ad hoc committee was approved unanimously.

Pursuant to the understanding at the meeting on January 29, 1954, Mr. Vest had sent to the members of the Board later that day a revised draft of a statement proposed for inclusion in the Board's 1953 Annual Report concerning the administration of the Clayton Antitrust Act with respect to banks. Governor Mills had also distributed among the members of the Board, prior to this meeting, a suggested alternative draft.

During a discussion, certain additional suggestions regarding the wording of the statement were offered, and it was understood that the matter would be discussed further at a later meeting.

At the meetings on January 25 and 29, 1954, consideration was given to the question whether the Board should accede to a recommendation by the Presidents' Conference that the Federal Reserve Banks be authorized to make payment to the beneficiaries of deceased officers and employees for earned but unused vacation. There was further discussion of the matter at this meeting, reference being made to the benefits payable at present to beneficiaries of deceased officers and employees under the Retirement System of the Federal Reserve Banks and the System's group
life insurance policy, other so-called "fringe" benefits enjoyed by Federal Reserve Bank employees, and the position taken by the Board when questions similar to the one under discussion were raised on previous occasions.

At the conclusion of the discussion, it was the consensus that the Board would not be justified in authorizing a further liberalization of the benefits currently payable upon death, and unanimous approval was given to a letter to Mr. Leach, Chairman of the Presidents' Conference, in the following form:

The Board of Governors has given careful consideration to the recommendation of the Conference of Presidents which was approved at its meeting on December 14-15, 1953, that authority be granted for payment to the beneficiary for earned, but unused, vacation of any officer or employee in the event of death.

The matter has been reviewed in the light of the reasons which prompted the Presidents' action and of the very liberal death benefits that have been provided for beneficiaries of employees of the Federal Reserve Banks. Although it is thoroughly aware of all the factors involved, the Board has reached the conclusion that, in the existing circumstances, this further proposed benefit should not be approved and that the procedure authorized in the Board's letter of August 3, 1938 (S-108-a) should be continued in effect.

Governor Szymczak referred to a letter addressed to him under date of January 28, 1954, by Mr. Young, President of the Federal Reserve Bank of Chicago, with respect to the proposed plan under which banking institutions would participate in a group of RFC business loans. Since the plan contemplated that the Federal Reserve Banks would act as fiscal agents of the RFC in the performance of certain specified functions incident to the carrying out of the plan, President Young, as Chairman of
the Presidents' Conference Committee on Fiscal Agency Operations, had sent to each Federal Reserve Bank copies of the Board's letter to him of January 20, 1954, with enclosures, which included a letter dated January 19, 1954, from Mr. Cravens, Administrator of the Reconstruction Finance Corporation, to Chairman Martin. President Young's letter to Governor Szymczak indicated that the Reserve Banks were generally agreeable to the proposal that they act as fiscal agents in this matter, although certain questions were raised, particularly with respect to reimbursement. President Young inquired whether Governor Szymczak should discuss with Mr. Burgess, Deputy to the Secretary of the Treasury, the basis of reimbursement to the Federal Reserve Banks.

Governor Szymczak expressed the view that it was not intended that the policy committee on fiscal agency operations would go into such matters as reimbursement to the Federal Reserve Banks in particular cases. Therefore, he had suggested to President Young by telephone this morning that the Committee on Fiscal Agency Operations and the Legal Subcommittee of the Presidents' Conference work out a fiscal agency agreement which might be entered into with the Reconstruction Finance Corporation, such agreement to provide that the fiscal agency operations would be on a reimbursable basis. Governor Szymczak also suggested to President Young that the fiscal agency agreement, when drafted, be submitted to the Board.

The other members of the Board expressed agreement with the procedure which Governor Szymczak had suggested to President Young.
Secretary's Note: Following the meeting, Governor Szymczak called President Young on the telephone and stated that the Board concurred in the procedure he (Governor Szymczak) had suggested to President Young this morning.

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 January 29, 1954, were approved unanimously.

Letter to Mr. Quackenbush, Manager, Bank Examinations Department, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of January 22, 1954, which relates further to the request of The North Jersey Trust Company, Ridgewood, New Jersey, submitted in your letter of January 7, 1954, for an extension of time within which it may establish a branch at the southwest corner of Godwin and Habben Avenues, Midland Park, New Jersey.

It is noted that the reason for the delay in constructing the new branch building was that the original plans and specifications had to be modified because the cost involved would have exceeded the trust company's legal limit. It is now contemplated that, under new plans and specifications, a more modest building is to be erected and that acceptable bids are expected to be received in time to permit the start of construction in February, 1954, and completion within four months.

After considering the additional information and in accordance with the Reserve Bank's recommendation contained in your letter of January 7, 1954, the Board of Governors extends to August 3, 1954, the time within which The North Jersey Trust Company may establish a branch at the southwest corner of Godwin and Habben Avenues, Midland Park, New Jersey, under approval given by the Board in its letter dated August 3, 1953.

Approved unanimously.

[Signature]
Secretary