

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, February 16, 1954. The Board met in the Special Library 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

Governor Robertson said that in accordance with the usual practice, plans were being made for a reception and luncheon to be held at the conclusion of the current session of the Inter-Agency Bank Examination School.

Approved unanimously, it being understood that provision for the cost involved had been made in the 1954 budget of the Division of Examinations.

Governor Robertson then referred to the dinners being given by the officers of the several State bankers associations scheduled to visit in Washington this spring and to the understanding at the meeting on January 14, 1954, that at least one member of the Board and one member of the staff should attend each of the dinners. A memorandum showing the dates of the dinners was distributed and the members of the Board indicated tentatively which of the dinners they would be able to attend.

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It was understood that on the basis of these comments, Governor Robertson would prepare and distribute to the other members of the Board a tentative schedule of attendance at the dinners.

Prior to this meeting there had been sent to each member of the Board a copy of a letter dated February 11, 1954, from Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, suggesting for appointment to the board of the San Antonio Branch to fill an existing vacancy either Mr. Clarence E. Ayres or Mr. Eastin Nelson, both Professors of Economics at the University of Texas, Austin, Texas.

Following a discussion, it was voted unanimously to request Chairman Parten to ascertain and advise the Board whether Mr. Ayres would accept appointment, if tendered, as a director of the San Antonio Branch for the unexpired portion of the three-year term ending December 31, 1956.

At this point Mr. Fauver, Assistant to Mr. Thurston, entered the room.

Pursuant to the understanding at the meeting on January 29, 1954, a tentative program had been worked out for the meeting to be held on February 25, 1954, with the newly-appointed Federal Reserve Bank and branch directors, and copies of a memorandum outlining the tentative program had been sent to the members of the Board before this meeting. This memorandum presented alternate plans for greeting the directors upon their arrival at the Federal Reserve Building and for luncheon

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seating arrangements.

The members of the Board indicated general agreement with the suggested program and expressed a preference for the alternative plan under which each director, upon arrival, would be shown to the office of one of the Board members in accordance with a predetermined arrangement. As to the luncheon, preference was expressed for the alternative plan which would provide for the use of long tables in the staff dining room.

At the conclusion of the discussion, the program, with the changes agreed upon, was approved unanimously.

Mr. Fauver then withdrew from the meeting.

Governor Evans reported on steps being taken toward the selection of a site for a new Louisville Branch building, stating that it appeared that the board of directors of the Federal Reserve Bank of St. Louis would submit a recommendation to the Board of Governors by the first of March. He also said that certain information concerning the site had been forwarded by the Reserve Bank to Mr. Leonard, Director of the Division of Bank Operations, who would be glad to go over this material with any interested members of the Board.

On the recommendation of Chairman Martin, Messrs. Fauver and Molony were designated Special Assistants to the Board, effective immediately.

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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 February 15, 1954, were approved unanimously.

Letter to Mr. Willis, Secretary, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of February 9, 1954, advising of the inquiry received by Mr. Sproul from Mr. Philip Young, Chairman of the Civil Service Commission, as to the availability of the services of a person with substantial experience in personnel and management matters.

In this connection, it is noted from your letter that the Board of Directors granted a leave of absence with pay to Mr. Harold A. Bilby, Vice President, for a period not to exceed one month in the aggregate to commence on or about February 15, 1954, to enable him to serve as a member of an advisory committee which is being created by the United States Civil Service Commission to study and make recommendations regarding cost of living allowances and post differentials for certain Federal employees in Puerto Rico and the Virgin Islands. It is noted further that Mr. Bilby will be reimbursed by the Government for transportation and subsistence expenses pursuant to governmental rules and that the Board of Directors has approved reimbursing Mr. Bilby for any travel and subsistence expenses incurred by him in the performance of his duties as a member of the advisory committee to the extent that such expenses exceed the reimbursement he receives from the Government.

The Board of Governors interposes no objection to the arrangement with respect to Mr. Bilby as described in your letter.

Approved unanimously.

Letter to the Board of Directors, Manufacturers Trust Company, New York, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York the Board of Governors approves



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the establishment and operation of a branch by Manufacturers Trust Company at 63-63/65 108th Street, Forest Hills, Queens County, New York, provided the branch is established within six months from the date of this letter.

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

Letter to the Board of Directors, Wayne County Savings Bank,  
Honesdale, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia the Board of Governors of the Federal Reserve System approves the establishment and operation of a branch at 239 Belmont Street, Waymart, Pennsylvania, by Wayne County Savings Bank, Honesdale, Pennsylvania, provided the branch is established within six months from the date of this letter.

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

Letter to the Presidents of all Federal Reserve Banks reading  
as follows:

As you will recall, the absorption of exchange charges by member and nonmember insured banks was the subject of considerable discussion about 10 years ago after the Board had taken the position that the absorption of such charges by a member bank in the circumstances of a particular case constituted an indirect payment of interest on demand deposits in violation of the law and the Board's Regulation Q. It will also be recalled that the Federal Deposit Insurance Corporation has taken a different position with respect to the absorption of exchange charges by nonmember insured banks.

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In recent years it appears that some member banks in certain sections of the country have entered into arrangements with nonmember insured banks whereby non-par checks received by the member bank are sent to the nonmember insured bank for collection and the latter bank absorbs the charges and remits at par to the member bank, provided a sizeable compensating deposit balance is maintained by the member bank with the nonmember bank. There also appears to be some feeling that member banks in some parts of the country may be absorbing exchange charges in amounts aggregating more than \$2 for a single depositor in a calendar month or regularly established period of 30 days in circumstances which, in the light of the Board's letter of June 22, 1945, may raise a presumption that the law is being violated (F.R. L. S., #6240).

In view of these developments, and as a basis for determining what, if any, action should be taken, the Board has concluded that it would be desirable to undertake a factual survey with respect to this matter. The Board is interested, not only in the extent to which there may be in existence arrangements between member and nonmember banks of the kind above described or the extent to which member banks may be absorbing exchange in excess of \$2 a month for particular depositors but also any other available pertinent information, including the extent to which nonmember insured banks are now absorbing exchange charges and the extent to which member banks may be operating at a competitive disadvantage with nonmember insured banks as the result of the different positions which have been taken by the Board and the Federal Deposit Insurance Corporation.

Accordingly, it will be appreciated if you will have a review made of the situation as it exists in your District, along the lines indicated in the accompanying outline, and if you will forward the results of this survey to the Board, together with any suggestions you may wish to offer regarding this matter. The survey should be based on information available at your Bank; member banks should not be asked for any data for the purposes of this survey.

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For convenient reference in this connection, there is enclosed a memorandum regarding the background of the problem with respect to absorption of exchange charges.

This letter has been brought to the attention of the Comptroller of the Currency and he concurs in the desirability of making this survey and has assured us that you or members of your staff may feel free to consult with the District Chief National Bank Examiners in developing the required information.

Approved unanimously.

Letter for the signature of the Chairman to The Honorable Charles A. Wolverton, Chairman, Committee on Interstate and Foreign Commerce, House of Representatives, Washington, D. C., reading as follows:

This is in response to your letter of February 4, 1954, requesting a report on the enclosed bill H.R. 7700 "To amend the Public Health Service Act to provide mortgage loan insurance for hospitals and medical facilities used in connection with voluntary pre-payment health plans."

This bill relates to a matter which is not of primary concern to the Federal Reserve System and the Board has no general comments to offer with respect to the proposed legislation.

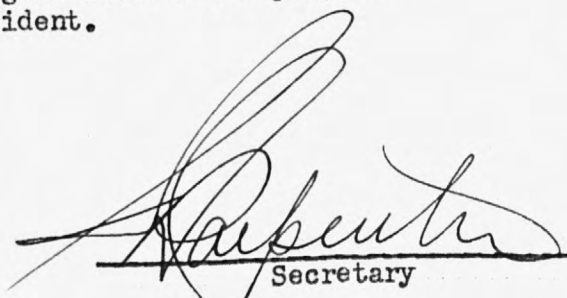
However, it is noted that section 705(b) of the bill would authorize the Surgeon General, pursuant to an agreement between the Secretary of Health, Education, and Welfare and the Federal Reserve Board, to utilize the services and facilities of the Federal Reserve Banks. The Board feels that, if it should be desired to utilize the services of the Federal Reserve Banks under this bill, it would be preferable to provide for the use of the Federal Reserve Banks as fiscal agents, as has been done in other cases. It is suggested, therefore, that the second sentence of section 705(b) be changed to eliminate the references in that sentence to the Board and the Federal Reserve Banks and that an additional sentence be added with respect to the utilization of the Federal Reserve Banks as fiscal agents, so that these two sentences would read substantially as follows:

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"In carrying out his functions, the Surgeon General is authorized, pursuant to agreement between the Secretary of Health, Education, and Welfare and the head of any other Federal agency, to utilize the services and facilities of such other agency, and to pay therefor either in advance or by way of reimbursement, as may be provided in such agreement. Upon the request of the Secretary of Health, Education, and Welfare, and subject to regulation by the Board of Governors of the Federal Reserve System, any Federal Reserve Bank is authorized to act as fiscal agent of the United States on behalf of the Surgeon General in carrying out his functions under this Title, and any Federal Reserve Bank shall be reimbursed for its expenses in acting as such fiscal agent."

Approved unanimously, with the understanding that before the letter was transmitted a copy would be sent to the Bureau of the Budget, in accordance with the usual practice, with a request that the Board be advised as to the relationship of the proposed legislation to the program of the President.



Secretary