

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, March 23, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Youngdahl, Assistant Director, Division of Research and Statistics

Prior to this meeting there had been circulated to the members of the Board a draft of telegram to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

Board authorizes preparation of detailed plans and specifications for alterations and additions to Head Office building on the basis of the preliminary plans and outline specifications transmitted with letter of March 8, 1954. It is understood that upon completion of detailed plans and specifications they will be submitted to the Board for consideration prior to requesting bids.

Governor Vardaman had suggested that the matter referred to in the proposed telegram be discussed by the Board in the light of the recent study by the Federal Reserve Bank of San Francisco which indicated the possibility of expanding the territory of the Los Angeles Branch.

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He had stated, however, that he would be willing to concur in whatever decision was reached by the other members of the Board.

Following a discussion, during which Messrs. Evans, Mills, and Leonard commented on the proposed alteration and expansion of the head office building and on the present and prospective needs for space at the head office and the Los Angeles Branch, the telegram to President Earhart was approved unanimously in the form set forth above.

Mr. Leonard then withdrew from the meeting.

There was presented a request that Mr. Masters, Assistant Director, Division of Examinations, be authorized to travel to New York, New York, during the period March 24-26, 1954, to meet with officers and senior examiners of the Federal Reserve Bank of New York for a discussion of matters relating to bank supervision and bank examination.

Approved unanimously.

Governor Szymczak referred to the approval given by the Board at the meetings on February 4 and 24, 1954, to a proposed study of activities of foreign banking corporations and foreign branches of member banks, and to the authority given to him at the latter meeting to explore with the Federal Reserve Bank of Boston whether Mr. Neal, First Vice President of that Bank, would be available to direct the study at the staff level. Governor Szymczak stated that Mr. Neal had accepted the assignment and would like to have the assistance of Mr. Solomon,

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Assistant General Counsel, Mr. Goodman, Assistant Director, Division of Examinations, and Mr. Tamagna, Chief of the Financial Operations and Policy Section, Division of International Finance, in carrying out the staff work. He also said that Mr. Neal was making arrangements with the Federal Reserve Banks concerned to obtain the services of the following persons: Mr. Crosse, Assistant Vice President, Federal Reserve Bank of New York; Mr. Cheadle, Economist, Federal Reserve Bank of Chicago; and Mr. Hurst, Economist, Federal Reserve Bank of San Francisco. Governor Szymczak went on to say that Mr. Neal was planning to have a meeting of this group within the near future to make plans for proceeding with the study.

At the request of the Board, Messrs. Thomas and Youngdahl commented on money market developments and the current and prospective situation with respect to Treasury financing.

At the conclusion of a discussion based on these comments, the meeting adjourned. During the day the following additional actions were taken by the Board with all of the members except Governors Vardaman and Robertson present:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 22, 1954, were approved unanimously.

Letter to Mr. Williams, President, Federal Reserve Bank of Philadelphia, reading as follows:

The Board of Governors approves the payment of salary to Mr. Norman G. Dash, Assistant Vice President, for the period

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March 18, 1954, through December 31, 1954, at the rate of \$12,000 per annum, which is the rate fixed by the Board of Directors as indicated in your letter of March 18, 1954.

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

In accordance with the requests contained in your letters of March 16, 1954, the Board approves the appointments of Harry J. Cross and John W. Patterson as assistant examiners for the Federal Reserve Bank of Cleveland.

Please advise as to the dates upon which the appointments are made effective and as to salary rates.

Approved unanimously.

Letter to Mr. Koppang, First Vice President, Federal Reserve Bank of Kansas City, reading as follows:

In accordance with the request contained in your letter of March 16, 1954, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Kansas City for the specific purpose of rendering assistance in the examinations of the Commerce Trust Company, Kansas City, Missouri, and The International Trust Company, Denver, Colorado:

Wallace Clark
Edward P. Hadel
Wayne W. Martin
M. Jean Clancy
Nancy F. Linville

Appropriate notations have been made in our records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

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Letter to the Board of Directors, Quincy Trust Company, Quincy, Massachusetts, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment and operation of a branch at 13-19 Cottage Avenue, Quincy, Massachusetts, by the Quincy Trust Company, Quincy, Massachusetts, provided the branch is established within six months from the date of this letter.

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

Letter to the Board of Directors, Bank of Clarke County, Berryville, Virginia, stating that, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Richmond. The letter also indicated approval by the Board of the retention of a branch located at Boyce, Virginia.

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

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 January 5, 1954, enclosing photostatic copies of an application to organize a national bank in the Cherry Hill Section of Delaware Township, Camden County, New Jersey, and requesting a recommendation as to whether or not the application should be approved.

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Based upon information developed in an investigation made by an examiner for the Federal Reserve Bank of Philadelphia, it appears that this application is premature and that some time will elapse before the area, which would be served by the proposed bank, will be developed sufficiently to justify its establishment. Definite information as to the experience and competency of the proposed management and the contemplated investment in fixed assets was not available. Moreover, if this development materializes, it would appear that the proposed capital structure of the bank would be inadequate. In view of these circumstances, the Board of Governors does not feel justified in recommending approval of the application at this time.

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 for the signature of the Chairman to the Honorable William E. McVey, House of Representatives, Washington, D. C., reading as follows:

Reference is made to your letter of March 18, 1954, addressed to Mr. Dwight L. Allen, in which you request advice as to whether there is any objection on the part of the Federal Reserve System to an employee of a Federal Reserve Bank holding the position of an elected official of a village.

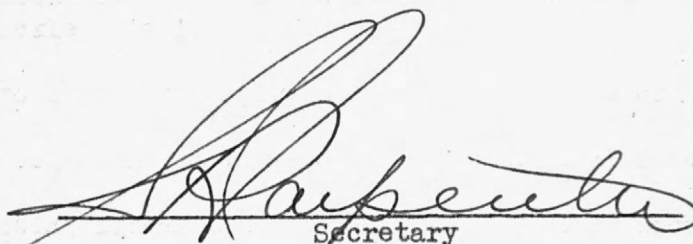
Since the early days of the System, there has been a policy that since the Reserve Banks perform essential functions of a public nature it is desirable that a situation should not be permitted to exist which might be interpreted as associating the Reserve Banks with any political party or political activity.

It is our understanding that according to the statutes of Illinois, village trustees are chosen by a general election following a primary election which is conducted on the basis of political party affiliation. The president of the board is elected in the same manner and this office would appear to have much of the same political characteristics as the office of a mayor of a city.

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Each individual case, of course, must be considered on the basis of existing facts. The application of this policy is made generally by the Federal Reserve Banks, although on occasion the Board is requested to give its opinion.

Approved unanimously.


Secretary