

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 19, 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. Thurston, Assistant to the Board

Mr. Riefler, Assistant to the Chairman

Mr. Thomas, Economic Adviser to the Board

Mr. Young, Director, Division of Research and Statistics

Mr. Solomon, Assistant General Counsel

Mr. Youngdahl, Assistant Director, Division of Research and Statistics

Mr. Koch, Chief, Banking Section, Division of Research and Statistics

Mr. Miller, Economist, Division of Research and Statistics

There had been circulated to the members of the Board a draft of letter to The Chase National Bank of the City of New York, New York, New York, regarding the bank's application, transmitted through the Federal Reserve Bank of New York, for permission to establish an additional branch in Puerto Rico at 8 and 10 Eduardo Giorgetti Street, Rio Piedras. At this meeting Governor Robertson and Mr. Solomon stated reasons why the Legal Division would prefer an alternative draft of letter reading as follows:

Reference is made to your letter of February 11, 1954, regarding the application of your Bank, which was transmitted through the Federal Reserve Bank of New York, for permission

5/19/54

-2-

to establish an additional branch in Puerto Rico at 8 and 10 Eduardo Giorgetti Street, Rio Piedras, Puerto Rico.

The Board has carefully reviewed the information submitted in support of your application and has noted the views of your Bank that the banking facilities of Rio Piedras are insufficient. On the other hand, the area is served by branches of two locally chartered banks and there is also located within the area an office of a federally chartered savings and loan association. While it is recognized that the question is not free from doubt, the Board is reluctant to grant the requested permission at this time, particularly in view of the possibility that the location of another banking office in the area under consideration might well tend toward a competitive situation that would not be conducive to the maintenance of sound banking conditions and practices. In the circumstances, after consideration of the information in hand, the Board has concluded that justification for its approval of your request has not been demonstrated sufficiently, and that the requested authority should not be granted at this time.

Should you care to present a new application at some later date, as for example after the lapse of a year's time, when the justification for additional banking facilities may be more clearly demonstrated, the Board will, of course, be glad to consider the matter in the light of all the existing circumstances.

Governor Robertson and Mr. Solomon said that there was no disagreement regarding the substance of the reply to be made to the applicant institution, but that the Legal Division felt (1) that in view of the provisions of the Administrative Procedure Act it would be advisable to omit language implying that The Chase National Bank could not submit a new application until after the lapse of a year's time, and (2) that it would be advisable not to refer in the letter to information "otherwise obtained" by the Board without stating the source of such information.

It was also noted in connection with this matter that in transmitting the application, the Federal Reserve Bank of New York recommended

5/19/54

-3-

favorable action and that the Bank's recommendation was not changed in the light of views subsequently expressed to the Board by Mr. S. L. Descartes, Secretary of the Treasury of the Commonwealth of Puerto Rico.

Following a discussion, the alternative draft of letter to The Chase National Bank of the City of New York, as set forth above, was approved unanimously, for transmittal through the Federal Reserve Bank of New York.

At the request of the Board, Mr. Thomas and other members of the staff reviewed recent developments in the Government securities market and their comments were followed by an informal discussion of the current and prospective money market situation.

Governor Mills referred to his memorandum to the Board of May 17, 1954, in which (after noting that at the meeting on April 15, 1954, the Board approved a review of the retirement coverage of Board personnel by the Committee on Retirement Policy for Federal Personnel) he summarized a telephone conversation that he had on May 17 with Mr. Armin A. Surgies, a member of the Committee staff, who called him at the direction of the Committee's Executive Director, Mr. C. Victor Johnson. The memorandum, which had been circulated to the members of the Board, stated that, according to Mr. Surgies, the Committee was also proceeding to review and make recommendations regarding the retirement system of the Tennessee Valley Authority, that the Committee's findings were to be limited to a recommendation that legislation be enacted which would permit a coordination of the Tennessee Valley Authority retirement

5/19/54

-4-

system with old-age and survivors insurance, and that the recommendation would not pass on the details by which coordination would be effected, with the thought that such procedure should be determined independently by the Tennessee Valley Authority. The memorandum also stated that Mr. Surgies assumed the Board of Governors would like to have the Committee follow a similar approach in reviewing and recommending with respect to the Board Plan of the Retirement System of the Federal Reserve Banks, and that Mr. Surgies was advised in the affirmative, that is, that it would seem to be appropriate for the Committee to limit its findings regarding the Board Plan to a recommendation that the Congress enact enabling legislation which would permit the Board of Governors to coordinate the Board Plan with old-age and survivors insurance along whatever lines particular circumstances might dictate. The memorandum concluded by stating that unless word to the contrary was received from the Board of Governors, the Committee on Retirement Policy for Federal Personnel would proceed to review and recommend regarding the Board Plan along the lines indicated.

Following further comments on the matter by Governor Mills at this meeting, the other members of the Board indicated that they concurred in the position which he had taken in his conversation with Mr. Surgies.

Governor Robertson reported that the current session of the Inter-Agency Bank Examination School would conclude at the end of this week, and stated that in the absence of objection it was planned, in accordance with

5/19/54

-5-

the customary practice, to hold a reception and luncheon for the students in the staff dining room on Thursday, May 20, and Friday, May 21, respectively.

Approved unanimously, with the understanding that the expenses involved had been provided for in the 1954 budget of the Division of Examinations.

Governor Mills referred to the visual-auditory economic presentation to be given by the Board's staff for the Trustees of the Committee for Economic Development tomorrow in the Board Room, beginning at 9:30 a.m., and expressed the hope that the meeting would be attended by all of the members of the Board whose schedules permitted.

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 May 18, 1954, were approved unanimously.

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on May 18, 1954, were approved unanimously.

Memorandum dated May 14, 1954, from Mr. Bethea, Director, Division of Administrative Services, stating that Grace L. Thorne, Charwoman in that Division, had submitted her application for retirement under the Board Plan of the Retirement System of the Federal Reserve Banks, effective June 1, 1954.

Noted.

5/19/54

-6-

Memorandum dated May 18, 1954, from Mr. Allen, Director, Division of Personnel Administration, recommending that the Board of Governors perform, on a reimbursable basis, certain typing for the President's Committee on Retirement Policy for Federal Personnel, with the understanding that the Stenographic Section in the Division of Administrative Services would handle the work.

Approved unanimously.

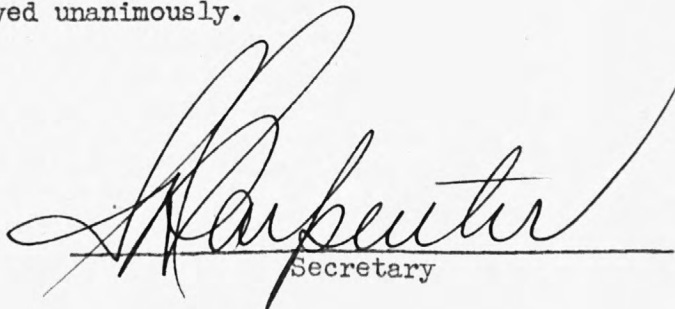
Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

In accordance with the request contained in your letter of May 10, 1954, the authorizations heretofore given to your bank to designate the following as special assistant examiners for the Federal Reserve Bank of Dallas are hereby canceled:

William B. Dunaway
R. H. Lish
James F. Lucky
C. F. McGee
Jason A. Burow
A. Howard Clayton
George A. Garrison
Travis J. Johnson
Earl Parker Prentiss

The Board approves the designation of the above-named individuals as special assistant examiners for the Federal Reserve Bank of Dallas for the specific purpose of rendering assistance in the examinations of State member banks only.

Approved unanimously.


Secretary