

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 7, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 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. Bethea, Director, Division of Administrative Services
 Mr. Young, Director, Division of Research and Statistics
 Mr. Solomon, Assistant General Counsel
 Mr. Youngdahl, Assistant Director, Division of Research and Statistics
 Mr. Hackley, Assistant General Counsel
 Mr. Cherry, Legislative Counsel

The following requests for authority to travel on official business of the Board were presented:

Mr. Leonard, Director, Division of Bank Operations. To travel to Boston, Massachusetts, and return, with possibly a stopover in New York, New York, during the period June 8-10, 1954, to attend, as associate member, a meeting of the Presidents' Conference Committee on Collections with the Subcommittee of Counsel on Collections, called to consider a proposal to extend Federal Reserve collection services to par remitting nonmember banks in Alaska and other territories and possessions of the United States.

Mr. Hackley, Assistant General Counsel. To travel to Boston, Massachusetts, during the period June 8-10, 1954, to attend the above-mentioned meeting of the Presidents' Conference Subcommittee of Counsel on Collections.

Approved unanimously.

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Prior to this meeting there had been sent to the members of the Board copies of a memorandum from Mr. Bethea dated June 2, 1954, recommending, for reasons stated: (1) that an order be placed with Judd and Detweiler, Inc., for printing 100,000 additional copies of the 1954 edition of "The Federal Reserve System--Purposes and Functions", with such minor changes as might be approved by Mr. Thurston and Mr. Young, and (2) that, as in the case of the first printing of the 1954 edition, copies of the book be distributed without charge. The memorandum stated that the cost of printing the 100,000 additional copies was estimated at about \$27,500 and that, since no provision had been made in the Board's 1954 budget for this expenditure, the approval of the above recommendations would in effect authorize a corresponding overexpenditure in the printing and binding budget of the Division of Administrative Services.

Following a discussion, the recommendations contained in Mr. Bethea's memorandum were approved unanimously, with the understanding that the reference in the book to the fact that copies might be secured without charge would be omitted.

Mr. Bethea then withdrew from the meeting.

At the request of the Board, Mr. Cherry summarized various legislative developments of interest to the Federal Reserve System. During the course of his comments, Mr. Cherry said that the version of the housing bill (H.R. 7839) reported by the Senate Committee on Banking and Currency contained a provision authorizing the Housing and Home Finance Administrator

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to work out arrangements with the Chairman of the Board of Governors whereby the Federal Reserve Banks would provide certain services and meeting facilities for regional subcommittees to be organized in connection with a voluntary program designed to facilitate the flow of funds for housing credit into areas where such funds are not available in adequate supply. He pointed out that a similar provision originally had been included in the House version of the bill but had been deleted.

The point mentioned by Mr. Cherry was discussed, and it was the view of the members of the Board present that it would be preferable if the provision in question could be deleted. Accordingly, Chairman Martin suggested that Mr. Cherry explore informally with appropriate persons at the staff level the possibility of having the provision eliminated, with the understanding that if the matter could not be worked out on that basis the Board might wish to consider whether any other steps should be taken.

It was agreed that the procedure suggested by Chairman Martin should be followed.

Mr. Cherry then withdrew and Mr. Koch, Chief, Banking Section, Division of Research and Statistics, entered the room.

Pursuant to the understanding at the meeting on May 28, 1954, there was a further discussion relating to the report on the discount mechanism submitted by the System Committee on the Discount and Discount Rate Mechanism. In this connection, Governor Mills, Chairman of the Committee, had sent to the Chairmen and Presidents of all Federal Reserve Banks, under date of June 4, 1954, a letter transmitting a further draft

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of a revision of Regulation A, Discounts For and Advances To Member Banks by Federal Reserve Banks, which had been prepared in the light of comments and suggestions on the Committee report that were received from the Federal Reserve Banks. Copies of this material had also been sent to the other members of the Board. The draft of revised regulation was accompanied by an explanatory memorandum concerning the changes from the Committee's earlier draft of a revised Regulation A, and Governor Mills' letter suggested that the modified draft serve as a basis for discussions at the meeting of the Presidents' Conference later this month and at the joint meeting of the Board and the Presidents at that time. The principal changes in the revised draft were in the proposed "General Principles", which in the current draft had been removed from the body of the regulation and incorporated in the form of a foreword.

From the discussion of the draft, it developed that the members of the Board present favored the revised "General Principles" and that they also favored setting forth the "General Principles" in a foreword to the regulation. Governor Mills, however, stated reasons why the staff of the System Committee at a meeting last week felt that it might be preferable to incorporate the "General Principles" in the body of a revised Regulation A. It was pointed out in this connection that if the statement of "General Principles" should take the form of a foreword, it would not be necessary under the Administrative Procedure Act to publish advance notice in the Federal Register, although it might be considered desirable to do so for other reasons.

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There was also some discussion of the advisability of including among the "General Principles" a statement with respect to the availability of Federal Reserve credit to individuals, partnerships, and corporations (including nonmember banks). On this point, Governor Mills explained that the System Committee had decided to leave the statement in the draft so that the question of including it might have the benefit of the views of the Board of Governors and the Reserve Bank Presidents.

At the conclusion of the discussion, it was understood that the revised draft of the regulation in the form sent by Governor Mills to the Chairmen and Presidents of the Federal Reserve Banks on June 4, 1954, would represent the tentative Board position for purposes of discussion with the Presidents of the Federal Reserve Banks.

Messrs. Thurston, Riefler, Thomas, Young, Youngdahl, and Koch then withdrew from the meeting.

Pursuant to the request made as the result of discussion at an executive session of the Board on June 2, 1954, Messrs. Carpenter and Hackley had prepared under date of June 4, 1954, a memorandum dealing with the practical and legal considerations involved in actions by the Board of Governors in the absence of a quorum. Copies of the memorandum had been sent to the members of the Board prior to this meeting.

Following a general discussion based on the memorandum, it was agreed that the matter should be considered further by the Board after the return of Governor Vardaman.

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All of the members of the staff then withdrew and the Board went into executive session.

Thereafter, the Secretary was informed by the Chairman that during the executive session the Board considered the appointment of a Class C director of the Federal Reserve Bank of Chicago for the unexpired portion of the term ending December 31, 1956, and voted unanimously to request Mr. Coleman, Chairman of the Federal Reserve Bank of Chicago, to ascertain and advise the Board whether Mr. J. Stuart Russell, Farm Editor of the Des Moines Register and Tribune, Des Moines, Iowa, would accept the appointment if tendered, with the understanding that if the response was favorable the appointment would be made.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 28, 1954, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 2, 3, and 4, 1954, were approved and the actions recorded therein were ratified unanimously.

Letter to the Board of Directors, The Merchants Trust Company of Red Bank, N. J., Red Bank, New Jersey, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by The Merchants Trust Company of Red Bank, N. J., at 568 River Road, Borough of Fair Haven, New Jersey, provided the branch is established on or before November 27, 1954.

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

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Letter to the Board of Directors, Union Trust Company of Maryland, Baltimore, Maryland, 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 of a branch at the northwest corner of Eastern Boulevard and Stuart Avenue, Baltimore County, Maryland, by Union Trust Company of Maryland, Baltimore, Maryland, provided the branch is established within one year of the date of this letter.

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

Letter to the Board of Directors, Industrial State Bank of Kalamazoo, Kalamazoo, Michigan, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Chicago, the Board of Governors of the Federal Reserve System approves the establishment of a branch at 1018 West Michigan Avenue, Kalamazoo, Michigan, by the Industrial State Bank of Kalamazoo, provided the branch is established within six months from the date of this letter.

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

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. L. A. Jennings, Deputy Comptroller of the Currency), reading as follows:

Reference is made to a letter from your office dated April 20, 1954, enclosing photostatic copies of an application to convert First Edina State Bank, Edina, Minnesota, into a national banking association and requesting a recommendation as to whether or not the application should be approved.

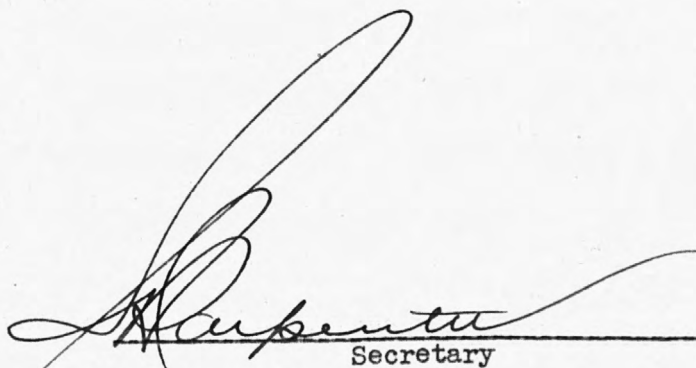
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Information contained in a report of investigation of the application made by the Federal Reserve Bank of Minneapolis indicates generally favorable findings with respect to the factors usually considered in connection with such applications, except as to the adequacy of the capital structure. It would appear that the bank should have substantially more capital, especially in view of the contemplated additional investment in banking premises. The Board recommends approval of the application, provided arrangements are made for a capital structure satisfactory to your office.

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.



Secretary

June 7, 1954.