

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 10, 1954. The Board met in the Board Room at 2:30 p.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Daniels, Chief, Reserve Bank
Operations Section, Division of
Bank Operations

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

Mr. Young, Director, Division of Research and Statistics. To travel to New York, New York, on June 14, 1954, to participate, at the invitation of Dr. J. H. Willets, Director of the Division of Social Sciences of the Rockefeller Foundation, in a conference on the adequacy of university facilities for training in business, economics, public affairs, and social studies, with special reference to problems and opportunities at the University of Pennsylvania, this conference being part of a larger program of review and appraisal being initiated under the auspices of the Ford Foundation.

Messrs. Thomas, Economic Adviser to the Board, Marget, Director, Division of International Finance, and Kenyon, Assistant Secretary. To travel to New York, New York, on June 14 and 15, 1954, to attend a meeting of the Staff Group on Foreign Interests at the Federal Reserve Bank of New York on June 15, and in the case of Mr. Thomas, to remain in New York until June 17 to visit elsewhere within the Federal Reserve Bank, including the trading desk.

Approved unanimously.

Prior to this meeting there had been sent to the members of the Board copies of a draft of telegram to Mr. Irons, President of the Federal Reserve Bank of Dallas, reading as follows, together with a memorandum

6/10/54

-2-

from Mr. Leonard, Director of the Division of Bank Operations, dated June 8, 1954, discussing in more detail the matter referred to in the telegram:

Board will interpose no objection to your Bank calling for bids for construction of the new building for the San Antonio Branch on the basis of final plans and specifications as submitted, as modified by subsequent advices from Mr. Austin.

It is understood that the modifications include a change in vault construction to eliminate the non-reinforcing tool-resisting steel bars and to increase the walls to 36 inches in thickness with structural reinforcing.

In accordance with customary procedure, a summary report of the bids should be forwarded to Board together with recommendation of Bank as to acceptance.

Approved unanimously.

Mr. Daniels then withdrew from the meeting.

Governor Robertson said that he had been asked by a representative of the Department of Commerce whether the Board would be willing to receive a group of nine persons from Denmark who were coming to the United States to study in the field of consumer credit, and that tentative arrangements had been made with the Division of Research and Statistics to provide an appropriate program for this group on July 2, 1954. Governor Robertson suggested in this connection that a luncheon be provided for the group in the Blue Room on that day, with the understanding that he or some other member of the Board would attend.

The program outlined by Governor Robertson was approved unanimously.

Mr. Carpenter stated that he had received a telephone call from Mr. Bill McDonald, Assistant National Director, Administration, United

6/10/54

-3-

States Savings Bonds Division, Department of the Treasury, who stated that a group of ten or twelve State chairmen of the savings bond program were coming to Washington later this month to consult with the Treasury and inquired whether the Board would be willing to entertain this group at luncheon in the Board's dining rooms on June 25, at which time an appropriate member of the Board's staff would speak to the group on the business and credit situation.

It was agreed unanimously that a program of the type mentioned should be arranged on June 25, 1954.

Reference was made to the joint meeting of the directors of the Federal Reserve Bank of Richmond and its branches, to be held in Richmond on June 17, 1954, it being noted that the Richmond Bank had invited each member of the Board and certain members of the senior staff to attend, as it had done on similar occasions in the past.

The matter was discussed from the standpoint of what attendance on the part of members of the Board and the staff might be arranged, and it was agreed that, while any one of those invited should feel free to attend if he wished to do so, it did not appear to be necessary for the Board to be represented if the individuals concerned found it inconvenient to accept the invitation.

Governor Robertson referred to the discussion held with Mr. Gidney, Comptroller of the Currency, at the meeting of the Board on June 8, 1954,

6/10/54

-4-

and submitted for consideration a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows, which he recommended be sent in the light of the discussion with Mr. Gidney:

In response to your request, the Board of Governors in its letter of March 31 presented its views with respect to a draft of a bill "To amend section 5240 of the Revised Statutes, as amended", submitted by the Treasury Department. This letter is with further reference to one aspect of that proposal.

At present, section 5240 requires that every national bank be examined at least twice in each calendar year. The proposed bill would modify this requirement by authorizing the Comptroller of the Currency, in the exercise of his discretion, to "waive one such examination".

In submitting its proposal, the Treasury Department expressed the opinion that at least three-fourths of all national banks would "qualify for less frequent examinations" - that is, for only one examination a year. It appeared to the Board that if the bill were enacted, there would be a tendency for one examination a year to become the rule except in the case of banks in unsatisfactory condition. The Board informed the Bureau that it had some question whether one examination annually would be sufficient for fully effective supervision in the case of the "average" bank.

At a recent discussion, the Board of Governors was informed by Mr. Ray M. Gidney, Comptroller of the Currency, that it is not his purpose to have only one examination annually in all possible cases, but rather to adjust examination schedules so as to obtain the maximum benefit from the examination work performed. The Comptroller, like the Board of Governors, feels that in few or no instances would it be advisable to make only one examination per year as a continuing practice; in other words, that practically all national banks should be examined twice in one calendar year from time to time - for example, in alternate years. Accordingly, Mr. Gidney indicated that he would be willing to have section 5240 require that each national bank be examined at least three times in the 1955-1956 biennium and in each succeeding biennium.

If the proposal were so revised, the Board of Governors believes the desired objectives would be satisfactorily achieved and it would offer no opposition to the legislation.

Approved unanimously.

6/10/54

-5-

At this point all members of the staff except Mr. Carpenter withdrew from the meeting.

In accordance with the understanding reached at the meeting of the Board on December 2, 1953, and as had been done following the examinations of the Federal Reserve Banks of New York, Minneapolis, St. Louis, San Francisco, Philadelphia, and Cleveland, Governor Robertson reviewed the management and operations of the Federal Reserve Banks of Boston, Richmond, and Atlanta in the light of the reports of examination of those Banks as of January 4, January 25, and February 19, 1954, respectively, and other information available to the Board in connection with the examinations. Governor Robertson's review was also in the light of discussions which he had had with Mr. Lang, Chief Federal Reserve Examiner, and other members of the Board's staff with respect to various matters relating to the operations and management of the three Banks.

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 June 9, 1954, were approved unanimously.

Memoranda from Mr. Young, Director, Division of Research and Statistics, recommending that the resignations of the following employees in that Division be accepted, effective June 18, 1954:

6/10/54

-6-

Date of MemorandumName and Title

6/4/54

Eileen M. Gibson,
Clerk-Stenographer

6/7/54

William J. Powers,
Economist

Approved unanimously.

Letter to Mr. Peterson, Vice President, Federal Reserve Bank of St. Louis, reading as follows:

In accordance with the request contained in your letter of June 4, 1954, the Board of Governors approves the designation of Jack Barton as a special assistant examiner for the Federal Reserve Bank of St. Louis.

Approved unanimously.

Letter to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Reference is made to your letter of May 19, 1954, submitting the request of the Bank of Las Vegas, Las Vegas, Nevada, for the Board's approval of the establishment and operation of a branch in North Las Vegas by that bank.

After careful consideration of all the available information, the Board has concluded that the application should be denied. This decision is based primarily upon the fact that while the bank has shown a satisfactory growth since its recent organization, it is not yet on a profitable basis, is still operating in temporary quarters, and has not yet had time to consolidate its position and to demonstrate that it can prosper in the proposed permanent location in competition with older established downtown Las Vegas banks.

Approved unanimously.

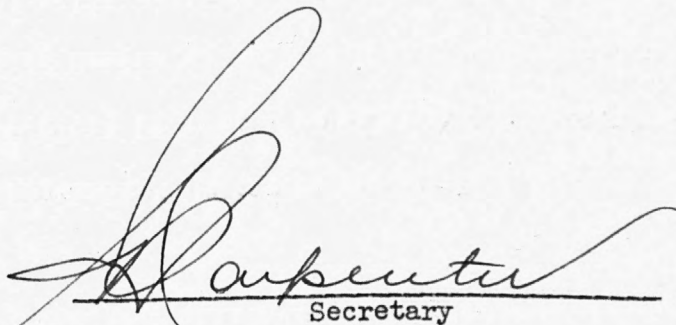
Letter to the Board of Directors, Morgan & Cie. Incorporated, c/o J. P. Morgan & Co. Incorporated, 23 Wall Street, New York, New York, reading as follows:

6/10/54 -7-

There is enclosed a copy of the report of examination of the Head Office of Morgan & Cie. Incorporated made as of December 31, 1953 by examiners for the Board of Governors of the Federal Reserve System. The Combined Balance Sheet included in the report was supplied by the Head Office.

Your courtesy in acknowledging receipt of the report will be appreciated.

Approved unanimously, with the understanding that copies of the report of examination and letter of transmittal would be sent to Mr. Wiltse, Vice President, Federal Reserve Bank of New York.



Secretary