Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 28, 1954. The Board met in the Board Room at 10:15 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Wardaman
Mr. Mills
Mr. Robertson
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Solomon, Assistant General Counsel

Governor Robertson referred to the policy adopted by the Board on July 18, 1950, with respect to the examination of foreign branches of American banks, "Edge" corporations, and other international banking organizations operating under agreements with the Board. The policy provided that examinations of "Edge" banks continue to be made annually and that examinations of their foreign branches be made by examiners for the Board or the Federal Reserve Banks every three years; that "agreement" corporations and their foreign branches be examined every three years by examiners commissioned or approved by the Board, jointly with State authorities if practicable; that foreign branches of State member banks be so examined every three years, jointly if practicable; and that the question of examination of foreign branches of national banks be discussed at "policy" level with the Comptroller of the Currency and,
if a satisfactory program was not to be maintained by the Comptroller, that such branches be examined every three years by examiners commissioned or approved by the Board, independently if necessary.

Governor Robertson said that the Comptroller had already sent his examiners out to examine foreign branches of national banks and that he (Governor Robertson) had discussed with Mr. William A. Lyon, Superintendent of Banks of the State of New York, the matter of joint examination of foreign branches of State member banks and "agreement" corporations. Mr. Lyon, he said, stated that it would not be possible to undertake the job before March of next year. Governor Robertson inquired whether such an arrangement would be agreeable to the Board, with the understanding that the examining program would be undertaken beginning sometime between March 1 and March 15 of next year and that this program would include examinations of the foreign branches of "Edge" corporations.

All of the members of the Board present concurred in the proposed arrangement.

Prior to this meeting there had been sent to the members of the Board copies of a draft of letter to Mr. Bryan, President of the Federal Reserve Bank of Atlanta, reading as follows:

The Board authorizes the preparation of detailed plans and specifications for the proposed addition to and alterations of the Birmingham Branch building on the basis of the revised preliminary plans and specifications, referred to in Mr. Clark's letter of May 12, 1954.

In accordance with the established procedure, it is understood that when the detailed plans and specifications have been completed they will be submitted to the Board of Governors for consideration prior to requesting bids.
The proposed letter was accompanied by a memorandum dated June 22, 1954, from Mr. Leonard, Director, Division of Bank Operations, and other material relating to the Birmingham Branch building program.

The letter to Mr. Bryan was approved unanimously in the form set forth above.

Pursuant to the understanding at the meeting on June 22, 1954, consideration was given to that portion of Governor Robertson's memorandum dated June 16, 1954, in which it was suggested, as a means of insuring against any misunderstanding at the Board with respect to the need for maintaining the confidential character of the Board's affairs and with respect to financial transactions and outside business activities of members of the Board's staff, that (1) an attached statement of rules be substituted for the statement now in use by the Board, and (2) that the statement of outside business and teaching activities obtained currently on an annual basis from officers and employees holding positions in certain classification groups be amended by inserting a suggested paragraph as the first paragraph of the statement, with the understanding that the amended statement would be obtained annually from all employees.

During a discussion of the matter, question was raised by some of the members of the Board as to whether the proposed statement of rules was stricter than the situation required. Accordingly, it was suggested that Mr. Thurston be asked to review the statement, with the understanding that it would be considered again at a later meeting of the Board.

This suggestion was approved unanimously.
Prior to this meeting there had been circulated to the available members of the Board a memorandum dated June 24, 1954, from Mr. Young, Director, Division of Research and Statistics, recommending, for reasons stated, that a temporary position at Grade W be established in the Government Finance Section of that Division for a period of one year, with the understanding that the Division would not seek actively to fill an existing vacancy at Grade X in the Business Finance and Capital Markets Section but that the Division would not be precluded from recommending to the Board an appointment to that position if a person of outstanding qualifications should become available during the year.

The recommendation contained in Mr. Young's memorandum was approved unanimously.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 24, 1954, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 25, 1954, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated June 24, 1954, from Mr. Bethea, Director, Division of Administrative Services, stating that the Retirement System of the Federal Reserve Banks had approved the application of Thomas R. Deakins, Guard in that Division, for retirement on account of disability, effective July 1, 1954.

Noted.
Memorandum dated June 23, 1954, from Mr. Bethea, Director, Division of Administrative Services, recommending, for reasons stated, that the Board concur in the action taken by the Presidents of the Federal Reserve Banks at the meeting of the Presidents' Conference on June 21-22, 1954, approving the recommendations of the Subcommittee on Cash, Leased Wire, and Sundry Operations and the American Telephone and Telegraph Company that the two Southern circuits of the Federal Reserve System teletypewriter network be rearranged into three circuits and that one spare duplex line termination be installed at the Richmond switching center.

Approved unanimously.

Letter to Mr. S. A. Neilson, President, New York State Bankers Association, 33 Liberty Street, New York, New York, reading as follows:

Your letter of June 17, 1954 enclosed a copy of a letter to you of June 14 from Mr. Richard J. Kogle, Assistant Cashier, The First National Bank, Batavia, New York, and asked for my views on Mr. Kogle's objection to the Board's interpretation of its Regulation Q published at page 460 of the May 1954 Federal Reserve Bulletin and at 19 Federal Register 2716. A copy of the interpretation and a copy of Regulation Q are enclosed.

Briefly, the interpretation stated that accounts accepted by a member bank under a proposed payroll deduction savings plan could not be classified properly as "savings deposits" because such accounts would not be "evidenced by a passbook" as required in section 1(e) of the regulation. As indicated by the interpretation, ever since 1936 the regulation has required that a deposit may not be regarded as a savings deposit unless "evidenced by a passbook". In this connection the regulation contains no exceptions, all savings accounts being subject to the same requirements.
You will also note from the attached copy of the interpretation that Regulation Q prior to 1936 permitted a savings deposit to be evidenced by a "passbook or other form of receipt". As there stated, however, this language proved inadequate to safeguard appropriately the favored status of savings deposits under the regulation.

Mr. Kogle did not describe the payroll savings accounts referred to in his letter, although he appears to have concluded that they could not be handled in such a way as to qualify as "savings deposits" under section 1(e) of Regulation Q. It is noted that Mr. Kogle stated that it would not be feasible to issue passbooks for such accounts.

The Board so far has received no other objection such as that raised by Mr. Kogle's letter, although it would seem reasonable to suppose that there are other banks which participate in so-called payroll savings plans for employees of local industries. It is possible that some such accounts are handled satisfactorily by banks so as to qualify as "time deposits, open accounts" under section 1(d) of the regulation. However, our experience has shown that it usually is preferable for all concerned that such matters be first explored with the local Federal Reserve Bank which very often is more familiar with the situation than we here at the Board. I am sure that the people at the New York Reserve Bank will be glad to discuss with any member bank or with representatives of your Association any problems related to the matter raised by Mr. Kogle.

Approved unanimously, with a copy to Mr. Sproul, President, Federal Reserve Bank of New York.