

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 14, 1954. The Board met in executive session in the Board Room at 10:00 a.m.

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

Following the meeting, Governor Robertson informed the Secretary's Office that during the executive session consideration had been given to a letter from Mr. Laurence B. Robbins, Administrator, Reconstruction Finance Corporation, dated June 25, 1954, asking the Board's cooperation in supplying the Corporation with certain data in connection with loans being serviced by banks subject to supervision of the Federal Reserve System under loan servicing agreements with the Reconstruction Finance Corporation. Governor Robertson stated that he reported to the Board his discussions yesterday with representatives of the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation, to which agencies similar letters had been sent by Mr. Robbins, at which time there was agreement that, subject to concurrence by the Board, it would be desirable for one letter to be sent in reply to Mr. Robbins' inquiry on behalf of the three Federal bank supervisory agencies transmitting the views of the three agencies, and that such letter be sent by the Comptroller of the Currency. Governor Robertson stated that the Board agreed with this procedure and authorized him to prepare and transmit to the Comptroller of the Currency a draft of language which would indicate that the loans with

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respect to which examiners would be requested to report to the Reconstruction Finance Corporation were serviced by banks under loan servicing agreements with the Corporation, and that the condition of the loans was checked with the borrower and the collecting bank from time to time as a part of the Corporation's regular audit procedure. Therefore, the additional checking by the examiners requested in Mr. Robbins' letter would seem to be superfluous. Aside from that, it would seem unwise to deviate in this case from the general rule, to which the Federal bank supervisory agencies adhered, of restricting the activity of their examiners to bank supervisory work. The language would also indicate that although the supervisory agencies desired to cooperate with the Administrator of the Reconstruction Finance Corporation as fully as possible, they believed the proposed activity would establish a precedent that might give rise to very undesirable results.

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 July 13, 1954, were approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

This is in response to your communication of July 12, 1954 enclosing a facsimile of the enrolled enactment of H.R. 9143, a bill "To repeal the provisions of section 16

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of the Federal Reserve Act which prohibits a Federal Reserve Bank from paying out notes of another Federal Reserve Bank", and inquiring whether there is any objection to the approval of the bill by the President.

The provisions of the bill are the same as those contained in a draft proposal which the Board of Governors submitted under date of March 31, 1954, together with a memorandum of explanation, to the Committee on Banking and Currency of the House and of the Senate, copies of which are enclosed for your ready reference and files. For the reasons stated therein the Board recommends that this legislation be approved by the President.

Approved unanimously.


Assistant Secretary