

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 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. Miller
Mr. Balderston

Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel

Governor Szymczak reported that he received a telephone call yesterday from Mr. Cole, Housing and Home Finance Administrator, with respect to the question whether regional subcommittees established under the Voluntary Home Mortgage Credit Extension Program might be permitted to hold meetings in Federal Reserve Bank buildings. He said that Mr. Cole, who was calling from out of town, referred to a previous conversation with Chairman Martin on the matter and stated that the regional subcommittees would not need stenographic or other staff services. Governor Szymczak said he told Mr. Cole that although the matter had been considered by the Board and discussed by the Board informally with the Conference of Presidents of the Federal Reserve Banks, no action had been taken, and that at Mr. Cole's request he made a statement to the same effect in a subsequent telephone call to one of Mr. Cole's associates here in Washington. He presumed that the Board would now receive a letter from Mr. Cole or from some other person in the Housing and Home Finance Agency concerning the use of meeting space at the Federal Reserve Banks by the regional subcommittees.

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The following matters were presented and action taken as indicated:

Letter to all Federal Reserve Bank Presidents and all Federal Reserve Agents reading as follows:

The Chairman of the Federal Open Market Committee has been authorized by the Committee to appoint a Federal Reserve Bank as agent to operate the System Open Market Account temporarily in an emergency when it appears that the Federal Reserve Bank of New York may be unable to carry on that function.

Under the "Plan for Securing Federal Reserve Notes by Pledge of Participations (Undivided Interests) in Direct Obligations of the United States in System Open Market Account" (hereinafter referred to as the "Plan") which became effective on September 17, 1943, all securities in the System Open Market Account are held in joint custody by the Federal Reserve Bank of New York and the Federal Reserve Agent at New York, with provision whereby any Federal Reserve Bank may pledge its participation in direct obligations of the United States in the System Open Market Account with the Federal Reserve Agent at such bank as collateral security for Federal Reserve notes. In the event that the Federal Open Market Committee or its Chairman should appoint another Federal Reserve Bank (hereinafter called the "Appointed Bank") to operate the System Open Market Account in an emergency, it would seem desirable that the securities in the System Open Market Account, including any securities that might be reissued in substitution for those in the vaults at the Federal Reserve Bank of New York, should be held physically or constructively by the Appointed Bank and the Federal Reserve Agent at such bank and that the Plan should be operated by the Appointed Bank and the Federal Reserve Agent at such bank in the same manner as it is now operated by the Federal Reserve Bank of New York and the Federal Reserve Agent at New York, with notices and messages respecting the transactions under the Plan being modified accordingly and being sent to and from the Appointed Bank and the Federal Reserve Agent at such bank.

If your bank and the Federal Reserve Agent at your bank approve of the arrangement as above outlined, it is requested that your bank and the Federal Reserve Agent so advise the Board. Such advice to the Board will be understood, during any period in which an Appointed Bank operates the System Open

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Market Account pursuant to appointment by the Federal Open Market Committee or its Chairman as above indicated, as constituting (1) an authorization to the Federal Reserve Bank of New York and the Federal Reserve Agent at New York to deliver, physically or constructively by instrument in writing, all securities in the System Open Market Account into the joint custody of the Appointed Bank and the Federal Reserve Agent at such bank, (2) an authorization to the Appointed Bank and the Federal Reserve Agent at such bank in their proprietary and official capacities to receive and hold in joint custody pursuant to the Plan all securities in the System Open Market Account so delivered, (3) an authorization to such Appointed Bank and the Federal Reserve Agent at such bank to operate the Plan in substantially the same manner as it is now operated by the Federal Reserve Bank of New York and the Federal Reserve Agent at New York, as modified by the provisions of this letter, and (4) an agreement on the part of your bank and of the Federal Reserve Agent at your bank to the Plan as thus modified.

Approved unanimously.

Letter to the United States Civil Service Commission, Washington, D. C., (Attention: Mr. James E. Hatcher, Chief, Security Appraisal Office), reading as follows:

In accordance with Departmental Circular No. 708, Supplement 2, October 2, 1953, and our letter of October 27, 1953, Mr. Charles Molony has been designated to be available for service as a Security Hearing Board member.

Mr. Molony serves as a special assistant to the Board. He has been the subject of a full field investigation and is not currently engaged in the Security Program. He may be reached by calling Republic 7-1100 (Code 132), Extension 204.

Approved unanimously.

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

As recommended in your letter of September 21, 1954, the Board of Governors approves an investment in bank premises by Minden Bank & Trust Company, Minden, Louisiana, of not more than \$182,000 provided (a) the investment is

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reduced by charge-off to not more than \$160,000 by December 31, 1954, and (b) in addition, any proceeds arising from the sale of present premises will be applied to reduce the carrying value of the new building.

It is understood the bank will exert its best efforts to dispose of the present premises within a reasonable time.

Please notify the bank of the foregoing.

Approved unanimously.

Letter to Mr. Gilbody, Assistant Vice President, Federal Reserve Bank of Boston, reading as follows:

This refers to your letter of September 29, regarding the penalties of \$53.94 incurred by the Wolfeboro National Bank, Wolfeboro, New Hampshire and \$13,68 incurred by the Falmouth National Bank, Falmouth, Massachusetts, on deficiencies in their reserves for the period ended September 15, 1954.

It is noted that the deficiencies were due primarily to the failure of utilities, caused by the hurricane "Edna," which handicapped the operation of each bank for some time; and that the banks have excellent records with respect to their reserve requirements.

In the circumstances, the Board authorizes your bank to waive the assessment of the penalties in these cases.

Approved unanimously.

Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

Reference is made to your letter of September 30, 1954, submitting request of the Ann Arbor Bank, Ann Arbor, Michigan, for an extension of time in which to establish a branch at the northeast corner of Packard Street and Brockman Boulevard, Ann Arbor, Michigan, which was approved by the Board of Governors on April 8, 1954.

In view of the delay in construction and your favorable recommendation, the Board of Governors extends until December 1, 1954, the time within which to establish the branch.

Approved unanimously.

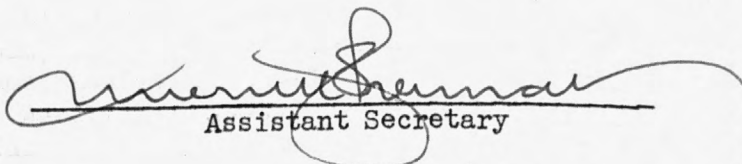
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Chairman Martin suggested that arrangements be made to have the staff of the Division of Research and Statistics meet with the Board from time to time to review current economic developments. There was agreement with this suggestion and with the further suggestion that arrangements be made to have staff members of other divisions of the Board make reports from time to time concerning matters of interest within the respective divisions.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 6, 1954, were approved unanimously.

The meeting then adjourned.



Assistant Secretary