Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 28, 1954. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Robertson
Mr. Balderston

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Noyes, Assistant Director, Division of Research and Statistics

The following matters, which had been circulated among the members of the Board, were presented for consideration and action taken as indicated:

Memorandum from Mr. Kenyon dated October 21, 1954, presenting proposed arrangements under which groups of Mexican and German Government officials and bankers, now visiting the United States under the sponsorship of the Foreign Operations Administration, would visit the Board's offices and be given luncheon on November 8 and 22, 1954, respectively.

Approved unanimously.

Memorandum from Mr. Young dated October 20, 1954, presenting the request of Peter M. Cody, Economist in the Division of Research and Statistics, for permission to undertake an outside activity which would consist of obtaining, compiling, and analyzing for a Chicago legal firm various data regarding twist drill machinery sales and selling prices during World War II. The memorandum stated that the data thus obtained and analyzed would be for the benefit of a client of the law firm concerned, that the required working time probably would not exceed three weekends, and that Mr. Cody would be reimbursed by the legal firm at the rate of $50 for each day worked.

Following a discussion, during which members of the Board raised questions with regard to the proposed activity from the standpoint of the purpose for which the work would be done and the complications which might result if the data were introduced in evidence in a legal proceeding, it was agreed unanimously that permission to undertake the activity should not be granted by the Board. In taking this action, it was understood that a full explanation of the reasons underlying the Board's decision would be given to Mr. Cody.

Letter to Mr. Crosse, Assistant Vice President, Federal Reserve Bank of New York, reading as follows:

Reference is made to your letter of October 21, 1954, submitting the request of the President and Directors of the Manhattan Company (Bank of the Manhattan Company), New York, New York, for a further extension of time within which it may establish a branch on the south side of Archer Avenue, 398 feet west of 150th Street, Jamaica, Queens County, New York.

It is noted that because of conditions beyond its control, including a recent truck strike, the bank will not be able to open the branch within the period extended by the Board of Governors to October 25, 1954, but that the branch should be ready to be opened during the week of November 1, 1954.

On the basis of the information submitted and in accordance with your recommendation, the Board of Governors extends to November 15, 1954, the time within which the subject bank may establish a branch at the location stated above.

Approved unanimously.

Letter to the Board of Directors, Security Trust & Savings Bank of San Diego, San Diego, California, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch in San Ysidro, California, by the Security Trust & Savings Bank of San Diego and hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of The Border Bank, San Ysidro, California, by the Security Trust & Savings Bank of San Diego, provided (a) that the absorption is carried out substantially in accordance with the amended agreement between the parties dated August 19, 1954; (b) the branch is established within six months from the date of this letter; and (c) fixed assets acquired will not be carried on the books of the bank or its wholly-owned subsidiary at a carrying value in excess of their depreciated value for income tax purposes.

The foregoing approval is extended with the understanding that your bank will increase its capital structure by not less than $400,000 through the sale of additional common stock for cash within approximately 90 days from this date.

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

Letter to Mr. Sidney Friedland, 5941 N. Magnolia Avenue, Chicago, Illinois, reading as follows:

This refers to your letter of October 16, 1954, in which you presented certain questions concerning the application of section 4(h) of Regulation T - Special subscriptions account. A pamphlet copy of the regulation is enclosed.

Your first question was stated as follows: "Is the margin requirement at the time of initial subscription based on 25% of the market value of the stock at the time of subscription or 25% of the cost of the stock, i.e., subscription price?" You will note that under section 4 (h)(1) the required cash deposit (margin) must be such that the deposit plus the maximum loan value of the securities "equals or exceeds the subscription price, giving effect to a maximum loan value for the securities so acquired of 75 per cent of their current market value as determined by any reasonable method". Accordingly, if the current market value of the securities to be acquired in conformity with section 4(h) is $1,100, for example, but the subscription price is $1,000, the maximum loan value may be considered to be 75 per cent of $1,100, i.e., $825, and the cash margin required prior to the initiation of the transaction would be not less than the difference between $1,000 and $825, i.e., $175.

You next asked: "If an individual has previously purchased stock by use of a special subscriptions account, may he subsequently, within nine months of the first purchase, acquire an additional stock by using this same account?" You will note in this connection section 4(h)(3) which provides, in effect, that no security may be acquired in a special subscriptions account at any time if there is already in the account any security which has been held therein for more than nine months without the margin therefor being increased to the amount necessary to make such security eligible for transfer to a general account subject to section 3 of the regulation. However, the regulation does not prohibit two separate acquisitions of securities in a special subscriptions account within a period of nine months from the first acquisition; but it is contemplated that as soon as any security in the account is made eligible for transfer to a general account, such security will be so transferred and not left in the special subscriptions account.

Your last question was: "If an individual is permitted to use this account for more than one stock, are the margins required computed on the market values of the various stocks in total, or are the margin requirements of each individual stock computed separately?" You will note from section 4(h)(1) that each acquisition in a special subscriptions account "shall be treated separately in the account." Separate treatment is also necessary in order to comply with the other provisions of section 4(h). Therefore, the margin requirement for each permissible acquisition in the account must be computed separately.

In connection with any of the special accounts provided for by section 4 of the regulation, including section 4(h), special note should be made of the provisions of section 4(a). Section 4(a) not only requires that each special account shall be recorded separately and be confined to the transactions and relations specifically authorized for the account, but also prohibits the use of any such account in any way for the purpose of evading or circumventing any of the other provisions of the regulation, for example, the provisions relating to the establishment and maintenance of a general account under section 3 of the regulation. Strict observance of these provisions is especially important in view of the preferential treatment afforded to special subscriptions accounts by section 4(h).

While it is hoped that the foregoing discussion will be of some assistance in connection with the matters of interest to you, you will realize of course that definite answers to problems arising under a regulation, such as Regulation T, cannot be given without a full statement of all the facts of the particular case involved. Should you have further inquiries regarding the application of the regulation in particular circumstances, it is suggested that you might find it more convenient to contact the Federal Reserve Bank of Chicago. The Federal Reserve Bank will be glad to assist you.

Approved unanimously, with a copy to Mr. Dawes, Vice President of the Federal Reserve Bank of Chicago.

Messrs. Young, Sprecher, and Noyes then withdrew from the meeting.

There was presented a memorandum dated October 22, 1954, from Mr. Sloan, Director, Division of Examinations, recommending, for reasons stated, that the resignation of R. N. Manatt as Assistant Federal Reserve Examiner in that Division be accepted as of November 6, 1954, rather than November 4, as previously approved by the Board on September 2, 1954.

Approved unanimously.

There were presented telegrams to the Presidents of all Federal Reserve Banks establishing, under authority of the fourth paragraph of section 16 of the Federal Reserve Act, the rate of (see column 1 hereafter) per cent per annum interest for the preceding three calendar months on $ (see column 2) daily average of outstanding Federal Reserve notes of the Reserve Bank in excess of gold certificates pledged with the Federal Reserve Agent as collateral security; and stating that an interest payment of $ (see column 3) should be credited to the Treasurer's General Account on October 29, 1954:

	(1)	(2)	(3)
Boston	1.3133	$1,000,597,596	$3,312,213.80
New York	2.2242	3,257,029,429	18,259,567.31
Philadelphia	1.4620	1,091,695,448	4,022,942.59
Cleveland	1.4779	1,495,597,895	5,571,278.35
Richmond	1.2291	1,203,576,784	3,728,687.47
Atlanta	1.2961	942,849,323	3,080,177.66
Chicago	1.8717	2,646,509,550	12,485,463.48
St. Louis	1.1847	830,462,078	2,479,837.12
Minneapolis	1.2721	458,502,028	1,470,135.88
Kansas City	1.4653	750,251,877	2,770,949.45
Dallas	2.0042	482,211,094	2,435,977.20
San Francisco	2.2199	1,345,352,350	7,527,736.62

Approved unanimously.

Prior to this meeting there had been sent to the members of the Board copies of a draft of letter to the Secretary of the Federal Advisory Council requesting that certain topics be placed on the agenda for the meeting of the Board and the Council on November 16, 1954. During a discussion of the matter one additional topic was suggested by a member of the Board and it was understood that the letter would be redrafted for that purpose, and to take into account a suggested rewording of one of the topics covered in the original draft.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 26, 1954, were approved unanimously.

The meeting then adjourned.

Secretary