

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 19, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Sprecher, Assistant Director, Division
 of Personnel Administration

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

Memoranda from appropriate individuals concerned recommending personnel actions with respect to the Board's staff as follows:

Appointment, effective upon the
 date of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>
Ruth B. Willard, Clerk-Stenographer	Bank Operations	\$3,495

Salary increases, effective November 21, 1954

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>International Finance</u>		
Mary C. Van Fossen, Clerk		\$3,110	\$3,255

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Salary increases, effective November 21, 1954 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Administrative Services</u>			
Franklin Taylor, Assistant Supervisor, Dupli- cating and Mail Section (title changed from Clerk (Composition))		\$5,616	\$6,032
Thomas V. Kopfman, Clerk (Composition) (title changed from Photographer (Offset))		4,472	4,846
Herbert W. Bundy, Operator, Duplicating Devices		3,230	3,350
Levernon Wood, Operator, Duplicating Devices (title changed from Messenger)		2,552	2,750

Transfer, effective November 21, 1954

Ralph A. Sherrod, from Operator, Duplicating Devices, to Photog-
rapher (Offset), in the Division of Administrative Services, with no
change in basic annual salary.

Approved unanimously.

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

Reference is made to your letter of November 8, 1954,
regarding the request of the Norfolk County Trust Company,
Brookline, Massachusetts, for an extension of six months'
time within which to establish a branch at the New England
Industrial Center on Highland Avenue, Needham, Massachusetts.

After consideration of all the information available,
the Board concurs in your recommendation and extends to June
24, 1955, the time within which the Norfolk County Trust Com-
pany, Brookline, Massachusetts, may establish the branch at
the aforementioned location in Needham, Massachusetts, as
originally approved in the Board's letter of June 24, 1954.
Please advise the bank accordingly.

Approved unanimously.

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Letter to the Board of Directors, Warren Bank and Trust Company, Warren, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System approves the establishment of a branch on U. S.-Pennsylvania Route No. 62 in the unincorporated Village of North Warren, Pennsylvania, by Warren Bank and Trust Company, Warren, Pennsylvania, provided formal approval is obtained from the State authorities, and the branch is established within one year of the date of this letter.

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

At this point Mr. Sloan, Director, Division of Examinations, entered the room.

Reference was made to a memorandum dated November 15, 1954, from the Division of Examinations, which had been circulated to the members of the Board, recommending that the application of The Grosse Pointe Bank, Grosse Pointe, Michigan, for permission to establish an in-town branch at 630 St. Clair Avenue be approved by the Board provided the branch was established within six months from the date of the Board's approval.

Governor Robertson discussed the facts of the case, pointing out that the Board had declined the bank's application to establish this branch on July 8, 1954, and again on August 13. In declining the original request, the Board took the position that another branch at 93 Kercheval Avenue, which was approved at the time, should relieve pressure on the main office facilities, that the proposed branch on St. Clair Avenue did not appear to be necessary to enable the bank to maintain its competitive

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position since the bank actually had no competition in the area, and that the soundness of establishing three offices in such close proximity one to another was questionable. In declining the application the second time, the Board reiterated that the matter could be reviewed again after there had been an opportunity to observe the results of the operation of the branch at 93 Kercheval Avenue.

Governor Robertson pointed out that the timing of the current application apparently reflected principally the fact that an application had been filed to establish a Federal savings and loan association within a few blocks of the proposed branch site, and he observed that a hearing on that application was being held today. He said that it would be unwise, in his opinion, for the Board to approve a branch merely to preclude possible competition, that the actual results of the operation of the branch on Kercheval Avenue would not be known until more time had elapsed and until the bank had been examined, and that in all the circumstances he was opposed to approving the application.

Accordingly, following a discussion based upon Governor Robertson's comments, unanimous approval was given to a letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, in the following form:

Reference is made to Mr. Van Zante's letter of November 10, 1954, submitting the request of The Grosse Pointe Bank, Grosse Pointe, Michigan, for further consideration of its application for permission to establish a branch at 630 St. Clair Avenue in Grosse Pointe, Michigan.

The Board of Governors has again given careful consideration to the application, including the additional

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information submitted, but at this time does not feel justified in giving its approval to the establishment of the branch as proposed. Please advise the bank accordingly.

Governor Robertson then referred to his comments at the meeting of the Board on November 1, 1954, regarding the application of the Seattle Trust and Savings Bank, Seattle, Washington, to establish a branch at 25th Avenue, N. E., and East 45th Street in Seattle. He said that he had discussed with the Comptroller of the Currency this application and the competing application of the National Bank of Commerce of Seattle to establish a branch at the same location, and that although the national bank's application was filed subsequent to that of the State member bank, the Comptroller stated that he could not refrain from approving the national bank's application. Governor Robertson went on to say that he advised the Comptroller that in the circumstances he would recommend to the Board approval of the State member bank's application. In further comments, Governor Robertson said that he hoped a basis had now been worked out for a satisfactory working arrangement with the Comptroller in the handling of competing branch applications filed by national and State member banks although the Comptroller made it clear that in certain circumstances he might not be willing to adhere to the general policy of approving the application which had been filed first.

Governor Mills stated that he was familiar with the problem in Seattle and that he concurred in Governor Robertson's recommendation.

Accordingly, unanimous approval was given to a letter to the Board of

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Directors, Seattle Trust and Savings Bank, Seattle, Washington, for transmittal through the Federal Reserve Bank of San Francisco, in the following form:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment of a branch at 25th Avenue N. E. and East 45th Street, Seattle, Washington, by the Seattle Trust and Savings Bank, provided the branch is established within six months from the date of this letter.

Mr. Sloan then withdrew from the meeting.

There were presented proposed telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, and Kansas City approving the establishment without change by the Federal Reserve Bank of St. Louis on November 15, by the Federal Reserve Bank of Kansas City on November 16, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on November 18, 1954, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Messrs. Riefler, Assistant to the Chairman; Thomas, Economic Adviser to the Board; Leonard, Director, Division of Bank Operations; Young, Director, Division of Research and Statistics; Solomon and Hackley, Assistant General Counsel; and Youngdahl, Assistant Director, Division of Research and Statistics, entered the room.

Further consideration was given to the proposed revision of the Board's Regulation A, Discounts For and Advances To Member Banks by Federal Reserve Banks, in the light of comments received from the Federal Reserve Banks in response to Chairman Martin's letter of November 2, 1954, and

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comments made by the Federal Advisory Council at its meeting with the Board on November 16, 1954.

During the discussion, particular attention was directed to:

(1) the interpretation of the Federal Reserve Bank of Chicago that the proposed foreword of general principles would provide ample latitude for making credit available to member banks in the Chicago area to anticipate the withdrawal of deposits that normally occurs during the month of March shortly before the April 1 tax date, and (2) the suggestion of the Federal Advisory Council that the prefatory paragraph, which the Board had indicated would be inserted in the Federal Register, be made a part of the statement of general principles.

With regard to the first of these two matters, it was the view of the Board that the Chicago situation could be dealt with, if necessary, in a letter to the Federal Reserve Bank of Chicago, and that any other matters of this sort which the Board might question could be met by Board interpretations under the revised Regulation A and by consultation with the Federal Reserve Banks concerned.

With respect to the Federal Advisory Council's suggestion, it was the view of the Board that it would be preferable not to incorporate the prefatory paragraph in the general principles, but that the paragraph should be placed on the inside of the title page of the revised regulation, preceded by a statement indicating that the prefatory note was a statement made by the Board at the time of publication of the proposed regulation in

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the Federal Register. The discussion brought out the point that the prefatory paragraph was intended to mean that the principles in the foreword to the regulation were not intended to further restrict access to the credit facilities of the Federal Reserve Banks under current policies as they were clarified by administrative action at the Federal Reserve Banks during the early part of 1953, but that the principles would prevent use of these facilities in the manner undertaken by some member banks during 1952 and the early part of 1953.

In this connection, Governor Szymczak commented that the prefatory paragraph would mean to a number of banks that no material change was being made in the regulation. Therefore, they would interpret the revised regulation as permitting them to use the discount facilities of the Federal Reserve Banks to the same extent and in the same way they had in 1952 and 1953. In other words, the same problem cases will arise in the future that arose before the amended regulation is issued. He preferred no prefatory paragraph. He preferred to have the amended regulation speak for itself.

Governor Szymczak also made the following statement:

There was no need for any amendments to Regulation A during a period of time when the Member Banks were not using the discount facilities of the Federal Reserve Banks. The need for a revision arose when the Member Banks began again to use these facilities in 1952 and 1953 and when it became evident that there was some abuse of these facilities by some of the Member Banks. The revision, therefore, was undertaken for the purpose of correcting these abuses. It seems contrary to fact, therefore, to say that there is no change in the Regulation in a prefatory statement when as a matter of fact the Regulation was amended for the purpose of correcting certain abuses that had developed after the discount facilities returned to use.

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Several suggestions made by the Federal Reserve Banks of New York, Philadelphia, and Cleveland for changes in the language of the prefatory note and the regulation proper were then discussed, and in most cases were accepted, either as submitted or with some modification.

Chairman Martin inquired of Mr. Young whether there appeared to be any feeling on the part of the Federal Reserve Banks that adoption of the revised Regulation A should be postponed until completion of the discount rate study now in process, and Mr. Young responded that only one Bank appeared to retain a preference for that procedure. Chairman Martin then said that in his opinion this would be a suitable time to issue the revised regulation, and the other members of the Board expressed agreement.

Accordingly, Chairman Martin suggested that the proposed revision of Regulation A, changed in certain minor respects as approved by Governor Mills to take into account comments made at this meeting, be published in the Federal Register, with an invitation for submission of comments by interested parties.

Chairman Martin's suggestion was approved unanimously.

Secretary's Note: In accordance with this action, the following letter, having been approved by Governor Mills, was sent to Mr. B. R. Kennedy, Director, Division of the Federal Register, The National Archives, Washington, D. C., on November 24, 1954:

In compliance with the provisions of the Federal Register Regulations and section 4 of the Administrative Procedure Act

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and the Board's Regulations issued pursuant thereto, there are transmitted for filing in your Division and for publication in the Federal Register, an original and three certified copies of a Notice of Proposed Rule Making relating to Title 12, Part 201 - Discounts for and Advances to Member Banks by Federal Reserve Banks. The Notice is of the type described in 1 CFR 1.44.

On the same date the following letter, having been approved by Governor Mills, was sent to the Chairmen and Presidents of all Federal Reserve Banks, and a similar letter was sent to the members of the Federal Advisory Council:

In the light of further consideration of the matter, including the views expressed by the Federal Advisory Council at its November meeting and additional suggestions received from the Federal Reserve Banks, certain changes have been made in the draft of the proposed revision of Regulation A which was enclosed with Chairman Martin's letter of November 2, 1954. A copy of the newest draft dated November 19 is enclosed.

It will be noted that minor changes in language have been made in the second, third, fifth, and last paragraphs of the Foreword of General Principles and in footnote 1 and section 2(c) of the Regulation proper. It will also be noted that it is contemplated that the prefatory statement regarding the purpose and effect of the proposed revision, which, in a somewhat changed form, will accompany publication of the proposed Regulation in the Federal Register, will also be printed on the back of the title page of the printed pamphlet copy of the Regulation.

The new draft of the proposed revision of Regulation A is today being submitted to the Federal Register for publication, in accordance with the requirements of the Administrative Procedure Act and in the form prescribed for such publication, with an invitation for submission of comments by interested parties not later than January 3, 1955. It will be appreciated if your Bank will transmit to the Board any comments which may be received by you with respect to the proposed revision of the Regulation, along with any additional comments which you may wish to submit.

All of the members of the staff who were present except Messrs. Carpenter and Sprecher then withdrew from the meeting, and Mr. Thurston,

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Assistant to the Board, entered the room.

Following a discussion of the appointments remaining to be made of Deputy Chairmen and Class C directors at Federal Reserve Banks and directors at Federal Reserve Bank branches for terms beginning January 1, 1955, the following actions were taken:

1. It was agreed to appoint Dr. James R. Killian, President of the Massachusetts Institute of Technology, Cambridge, Massachusetts, as a Class C director of the Federal Reserve Bank of Boston for the unexpired portion of the term ending December 31, 1956.
2. It was agreed to appoint Mr. John S. Keir, President of the Dennison Manufacturing Company, Framingham, Massachusetts, as a Class C director of the Federal Reserve Bank of Boston for the three-year term ending December 31, 1957, provided Chairman Martin ascertained that Chairman Hodgkinson had no objection and the latter ascertained that Mr. Keir would accept the appointment if tendered.
3. It was agreed that Chairman Martin would discuss with Mr. Myers, Deputy Chairman of the Federal Reserve Bank of New York, the matter of Mr. Myers' successor as a Class C director of the New York Bank.
4. It was agreed to appoint Mr. Frank J. Welch, Dean of the College of Agriculture and Home Economics, University of Kentucky, Lexington, Kentucky, as a Class C director of the Federal Reserve Bank of Cleveland for the three-year term ending December 31, 1957, provided Chairman Martin ascertained that Chairman Virden had no objection and the latter ascertained that Mr. Welch would accept the appointment if tendered.
5. It was agreed to appoint Dr. John C. Warner, President of the Carnegie Institute of Technology, Pittsburgh, Pennsylvania, (now serving as a Bank-appointed director of the Pittsburgh Branch) as a director of the Branch for the three-year term ending December 31, 1957, to succeed Mr. Clifford R. Hood, who declined reappointment, provided Chairman Virden ascertained that Dr. Warner would accept the

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appointment if tendered.

6. It was agreed to appoint Mr. Alonzo G. Decker as Deputy Chairman of the Federal Reserve Bank of Richmond for the year 1955.

7. It was agreed that Chairman Martin would discuss with Chairman Woodward, of the Richmond Bank, the selection of a successor to Mr. Wysor as a Class C director for the three-year term ending December 31, 1957.

8. It was agreed that Mr. Harllee Branch, Jr., would be appointed Deputy Chairman of the Federal Reserve Bank of Atlanta for the year 1955.

9. It was agreed to appoint Mr. A. H. Stebbins, Jr., President, Stebbins & Roberts, Inc., Little Rock, Arkansas, as a director of the Little Rock Branch for the unexpired portion of the term ending December 31, 1955, to succeed Mr. Stonewall J. Beauchamp, who was elected a Class B director of the Federal Reserve Bank of St. Louis, provided Chairman Alexander ascertained that Mr. Stebbins would accept the appointment if tendered.

10. It was agreed that Chairman Martin would discuss with Chairman Perrin, of the Federal Reserve Bank of Minneapolis, the selection of a Class C director for the three-year term ending December 31, 1957.

11. Action on the appointment of a Class C director at the Federal Reserve Bank of Kansas City for the three-year term ending December 31, 1957, and the appointment of a director at the Denver Branch for the two-year term ending December 31, 1956, was deferred for the time being at the suggestion of Governor Robertson.

12. It was agreed that the appointment of a Class C director at the Federal Reserve Bank of San Francisco for the three-year term ending December 31, 1957, would be discussed with Chairman Brawner, of the San Francisco Bank, when he was in Washington next month for the meeting of the Conference of Chairmen of the Federal Reserve Banks.

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Reserve System on November 18, 1954, were approved unanimously.

The meeting then adjourned.

[Handwritten Signature]
Secretary

The following
part of the Board, was

Admitted:

Letter to Mr. [Name]
New York, reading as follows:

In accordance with
letter of [Name] of
distinction of [Name]
M. Will as special
Board of the [Name]

Letter to the Board
New York, reading as follows:

Reference to your
Federal Reserve Bank of
entire approval of the
by the Bank of New York
Sixth Avenue, New York
that such branch is
raised branch of
building which is