

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 22, 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. Thurston, Assistant to the Board  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel

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

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

In accordance with the request contained in your letter of November 10, 1954, the Board approves the designations of Harry W. Conarro, Jr. and William W. Wahl as special assistant examiners for the Federal Reserve Bank of New York.

Approved unanimously.

Letter to the Board of Directors, The Bank of New York, New York, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a temporary branch by The Bank of New York, New York, New York, at 511-513 Fifth Avenue, New York, New York, with the understanding that such branch is to be discontinued when the bank resumes branch operations at 530 Fifth Avenue in the building which is to be erected at that location.

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

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

Reference is made to Mr. Van Zante's letter of November 10, 1954, submitting request of the Merchants Trust Company, Muncie, Indiana, for a further extension of time in which to establish a branch at 1719 Broadway in Muncie, Indiana.

In view of the circumstances outlined in the bank's letter of November 8, 1954, a copy of which was enclosed in Mr. Van Zante's letter, and the Reserve Bank's favorable recommendation, the Board of Governors extends until December 27, 1954, the time in which the branch may be established.

Approved unanimously.

Letter to the Board of Directors, California Bank, Los Angeles, California, reading as follows:

The Board of Governors of the Federal Reserve System approves the establishment of a branch by California Bank, Los Angeles, California, at 3143 Wilshire Boulevard, Los Angeles, California, as a successor to the branch now located at 101 South Vermont Avenue provided this move is accomplished within six months from the date of this letter.

Approved unanimously, together with a letter to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Reference is made to your letter of October 26 and telegram of November 3, 1954, concerning the proposal of the California Bank, Los Angeles, California, to move its branch from 101 South Vermont Avenue to a new location at 3143 Wilshire Boulevard, Los Angeles, a distance of about seven blocks.

It is noted that in your opinion the moving of this branch appears to represent the relocation of an existing office in the same neighborhood. However, since the information you have submitted indicates that the immediate area surrounding the present branch location consists principally of small retail establishments serving an older residential area and that the new location will serve retail establishments of a higher class and a better

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class residential area, it would seem that the proposed move would result in some change in the nature of the business of the branch or customers served and would require the approval of the Board.

After consideration of the information submitted, the Board has approved the establishment of the branch at 3143 Wilshire Boulevard by California Bank as indicated in the enclosed letter to be forwarded to the board of directors. A copy is enclosed for your files.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

There was published in the May 1954 Federal Reserve Bulletin, page 460 (19 FR 2716), an interpretation by the Board concerning the status under Regulation Q of deposits pursuant to a proposed payroll deduction savings plan.

Briefly, so-called "savings account cards", rather than pass books of the conventional type, were to be used to evidence the deposits under the plan which had been devised so as to permit the use of IBM punch-card equipment by the depository bank. The Board took the position that a deposit account under the proposed plan would not be eligible for classification as a "savings deposit" as defined in section 1(e) of Regulation Q because the savings account card would not qualify as a "pass book" within the meaning of that section. In reaching that conclusion, the Board's interpretation set forth the background of the present definition of "savings deposits" in Regulation Q and also in Regulation D.

The Board has now been asked to amend its regulations so as to eliminate the requirement for a pass book in cases of savings plans similar to the one covered in the Board's interpretation. In this connection it has been asserted, in effect, that the present requirement that all savings deposits be "evidenced by a pass book" prevents member banks from performing economically a desirable service for which there is a widespread and growing demand, and places such banks at a competitive disadvantage, since some nonmember banks may participate as depositories under plans such as that involved in the Board's interpretation without the use of pass books.

There is enclosed a draft of a possible amendment which would add to the present definition of "savings deposits" in

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both Regulation D and Regulation Q a provision which would dispense with the requirement that a "savings deposit" be evidenced by a pass book if withdrawals are permitted only through payment to the depositor himself but not to any other person whether or not acting for the depositor, and if the depositor is required, or may at any time be required, by the bank to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made. It will be noted that the draft is not limited to so-called payroll savings plans.

Your comments and suggestions concerning this possible amendment will be appreciated. In this connection, the Board would have no objection to your discussing the draft amendment with such limited number of member banks as you may consider desirable. The Board would appreciate having your reply by not later than December 20, 1954.

Letters similar to this, enclosing copies of the draft amendment, are being sent to the Comptroller of the Currency, the Federal Deposit Insurance Corporation and the American Bankers Association for their comments and suggestions.

Approved unanimously.

There was presented a proposed telegram to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Reurtele November 18, 1954. Board of Governors extends to April 1, 1955, the time within which the Pacific State Bank, Hawthorne, California, may accomplish membership in the Federal Reserve System as provided in our letter of October 8, 1954.

Approved unanimously.

There was presented a memorandum dated November 12, 1954, from Mr. Young, Director, Division of Research and Statistics, recommending that the resignation of Doris G. Schwarzkopf, Clerk-Typist in that Division, be accepted, effective November 26, 1954.

Approved unanimously.



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Prior to this meeting there had been circulated to the members of the Board a memorandum dated November 17, 1954, from Mr. Leonard, Director, Division of Bank Operations, discussing a proposed Salt Lake City Branch building program which had been recommended by the Boards of Directors of the Federal Reserve Bank of San Francisco and the Salt Lake City Branch, and submitting a draft of telegram to Mr. Earhart, President of the Reserve Bank, reading as follows:

Reurlet November 12 requesting authority to proceed with program for sale of present Salt Lake City Branch property, purchase of another location, and engagement of architect to prepare preliminary plans for a new building, as recommended by Boards of Directors of Bank and Branch.

Board approves program as recommended, specifically:

1. Sale of present property for \$954,687.
2. Purchase of property at South First and State Streets for \$421,563 as site for new building.
3. Payment to Salt Lake City architect for work on alteration program which is now abandoned (it is understood from Mangels' telegram that "payments of \$3,940.07 for this work had been made with no further payments to be requested by architect").
4. Entering into a new architectural contract in connection with planning for new building, subject, of course, to usual provisions in connection with such arrangements for preliminary plans.

It is understood Bank will negotiate with purchaser to conclude best arrangement possible as to time of payment for Branch premises and arrangements for their occupancy of the premises until new building is ready.

Board appreciates thought and consideration given by Directors and officers of Bank and Branch to important problem of finding best solution for space needs of Branch.

Approved unanimously.

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At this point Messrs. Riefler, Assistant to the Chairman, Young, Director, and Youngdahl, Assistant Director, Division of Research and Statistics, and Cherry, Legislative Counsel, entered the room.

Prior to this meeting there had been sent to the members of the Board copies of drafts, prepared by the Board's staff, of answers to five questions asked of Chairman Martin by the Congressional Joint Committee on the Economic Report preparatory to the hearings on monetary policy to be held by the Subcommittee on Economic Stabilization on December 6 and 7, 1954. Copies of an alternative draft of answer to the third question, prepared by Mr. Riefler, also had been sent to the members of the Board.

At the request of the Board, Mr. Young reviewed the drafts of responses to the first, second, fourth, and fifth questions, referring to certain changes suggested by the staff after a further reading of the drafts as well as to comments received from the Federal Reserve Banks. Reference also was made to comments by the Federal Advisory Council at its meeting at the Board last Tuesday, November 16.

There was some discussion of the alternative answers to the third question but no conclusion was reached and it was agreed to have another meeting of the Board this afternoon for additional discussion of the two drafts.

The meeting then recessed and reconvened at 2:30 p.m.

There was a further discussion of the drafts of replies to be made to the questionnaire from the Subcommittee on Economic Stabilization,

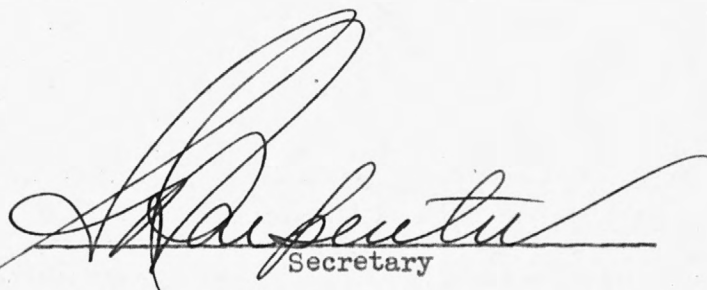
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at the conclusion of which it was understood that the answers to the first, second, fourth, and fifth questions would be put in final draft form and resubmitted to the Board. It was also understood that Mr. Riefler would prepare and submit to the Board a revised draft of answer to the third question.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 19, 1954, were approved unanimously.

The meeting then adjourned.



Secretary

In accordance with

David M. Kennedy, Secretary

of the Federal Reserve System

with the Board the program

stands in connection

against certain of the

consideration of the

1954, in which the

with Messrs. Kennedy and