Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 29, 1954. The Board met in the Board Room at 10:00 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Sprecher, Assistant Director, Division of Personnel Administration
Mr. Dembitz, Assistant Director, Division of International Finance

Prior to this meeting there had been sent to the members of the Board copies of a memorandum dated November 23, 1954, from the Staff Group on Foreign Interests to the Policy Group on Foreign Interests (Chairman Martin, Governor Szymczak, and Mr. Sproul, President of the Federal Reserve Bank of New York) with regard to the joint statement of the Board and the Secretary of the Treasury, issued in 1947, which requested American banks and others to refrain from financing international gold transactions at premium prices. Attachments to the memorandum included a copy of the 1947 joint statement and a draft of letter which would be sent by the Chairman of the Board to the Secretary of the Treasury and would take the position

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that in view of changed circumstances since the date of the joint statement, commercial banks making inquiry at the Federal Reserve Banks might be advised to the effect that the 1947 statement was not applicable under existing conditions. The matter had been placed on the agenda for this meeting at the request of Chairman Martin to ascertain the views of the members of the Board prior to discussion by the Policy Group on Foreign Interests.

At the request of the Chairman, Mr. Marget reviewed the circumstances which had prompted the Staff Group on Foreign Interests, including the members of that group from the New York Bank, to suggest handling the matter in the way proposed. His comments were based generally on the information contained in the Staff Group memorandum. In response to a question, Mr. Marget and Mr. Dembitz said that President Sproul was understood to favor the recommendation of the Staff Group.

In the course of discussion, question was raised as to whether limiting the indication of Treasury-Federal Reserve attitude to commercial banks that inquired of the Federal Reserve would be entirely fair to other banks which might assume that the statement was still in effect and therefore make no inquiry. On the other hand, it was noted that inasmuch as only a comparatively few banks (mostly in New York City) were interested, it would seem logical to suppose that the reply made by the Federal Reserve Bank to one institution would soon become common knowledge and that this might have the same effect as a general announcement.

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No conclusions resulted from the discussion and it was understood that the matter would be considered by the Policy Group on Foreign Interests when President Sproul was in Washington next week to attend the meeting of the Conference of Presidents of the Federal Reserve Banks.

Messrs. Riefler, Thomas, Vest, Young, Marget, and Dembitz then withdrew from the meeting.

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

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

> In accordance with the request contained in your letter of November 16, 1954, the Board of Governors approves the payment of compensation to Dr. John H. Williams, as Consultant during the year 1955, at the rate of $84.62 per day for each day he spends at the Bank or at a Federal Reserve or related meeting elsewhere, plus reasonable travel, lodging, and subsistence expenses.
>
> In approving such compensation to Dr. Williams, it is understood that his work for the Bank would be subject to the call and direction of the President and that he will not be called upon to serve the Bank for more than seventy-five days during 1955.

Approved unanimously.

Letter to the Board of Directors, The Easton Trust Company, Easton, Pennsylvania, reading as follows:

> Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors approves the establishment of a branch by The Easton Trust Company, Easton, Pennsylvania, at the intersection of Northampton and Broad Streets at 25th Street, Palmer Township, Northampton County, Pennsylvania, provided the branch is established within six months from the date of this letter.

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

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Letter to K. Raymond Clark, Esq., Clark & Costello, 135 South La Salle Street, Chicago, Illinois, reading as follows:

This refers to your letter of November 9 in which you request the views of this Board concerning the applicability of provisions of Regulation F to the administration of a common pension trust to which many different employer corporations may contribute funds under an arrangement whereby the entire trust will be invested as a single fund.

The Board, heretofore, has not had occasion to consider a situation such as the one described in your letter. However, the Board has under consideration at the present time a question involving the propriety of commingling two or more trusts created for employee benefit purposes under arrangements which contemplate their administration outside the common trust fund provisions of Regulation F, section 17. It is possible that the determination made in this pending case will have a direct bearing on the problem which you have presented. In any event, consideration of the matter now pending will extend to arrangements similar to those apparently involved in the case discussed in your letter. When determination is made in this case, we will be glad to communicate the Board's decision to you.

In the meantime, if you desire a ruling on the particular situation outlined in your letter of November 9, the Board will require more complete facts relating to the specific case you have at hand including, if available, a copy of the trust instrument under which the national bank proposes to act. Upon receipt of additional information bearing upon this specific case, the Board would be glad to consider it in the light of applicable provisions of Regulation F.

Approved unanimously, with a copy to the Federal Reserve Bank of Chicago.

Memorandum dated November 23, 1954, from the Division of Personnel Administration recommending, for reasons stated, approval of a proposed additional annual expenditure of $16,349.50 by the Federal Reserve Bank of Chicago incident to a change from a cooperative to a comprehensive plan of hospital and surgical benefits for the Bank's personnel, and submitting a proposed letter to Mr. Dawes, Vice President and Secretary of the Reserve Bank, reading as follows:

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In accordance with the request contained in your letter of November 18, 1954, the Board of Governors approves the additional annual expenditure of approximately $16,349.50 involved in the transfer of the employees group hospitalization coverage from the cooperative plan administered by the Blue Cross Plan for Hospital Care to the comprehensive plan administered by the same organization.

It is noted from your letter that no changes at this time are planned in connection with the surgical insurance plan.

Following a statement by Mr. Sprecher concerning the reasons underlying the Reserve Bank's desire to change the plan of coverage, during which he pointed out that the per capita expense of the new coverage would be within the range of the expense for hospitalization and surgical coverage at the other Federal Reserve Banks, unanimous approval was given to the letter to Mr. Dawes in the form set forth above.

At this point Mr. Thurston, Assistant to the Board, entered the room.

At the request of the Board, Mr. Sherman reviewed the program for the meeting of the Conference of Chairmen of the Federal Reserve Banks scheduled for December 2 and 3, 1954. The members of the Board indicated agreement with the plans, which included a dinner at a local hotel on the evening of December 2 and a luncheon at the Federal Reserve Building on December 3.

Messrs. Sherman and Kenyon then withdrew from the meeting.

Governor Robertson stated that he had received a letter dated November 19, 1954, from Senator Robertson of Virginia enclosing a tentative

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draft of a bank holding company bill which he (Governor Robertson) understood was substantially the same as the so-called Committee Print which was before the Senate Banking and Currency Committee last spring. The letter requested Governor Robertson to check the draft to see whether anything had been omitted and also whether there were any other changes that should be made before Senator Robertson introduced the bill in the next Congress. Governor Robertson stated that he had asked the Legal Division to prepare a memorandum reviewing the situation with respect to recent proposals for bank holding company legislation and bringing out the points that were still subject to some question so that the current views of the Board on these points could be determined. He said that he would like to have a meeting to consider this matter sometime this week, if possible.

It was agreed that the matter would be placed on the agenda for Wednesday, December 1, for preliminary discussion in the light of the Legal Division's memorandum.

Referring to the understandings reached at the meeting on November 19, 1954, concerning the appointment of deputy chairmen and directors at certain Federal Reserve Banks and directors at certain Federal Reserve Bank branches for terms beginning January 1, 1955, Chairman Martin reported that:

1. While Mr. Hodgkinson, Chairman of the Federal Reserve Bank of Boston, had no objection to the appointment of Mr. John S. Keir as a Class C director of the Boston Bank, he had other names that he would like to suggest shortly for consideration by the Board;

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2. He had not had an opportunity to talk to Mr. Myers, Deputy Chairman of the Federal Reserve Bank of New York, regarding Mr. Myers' successor as a Class C director;

3. The appointment of Mr. Frank J. Welch as a Class C director of the Federal Reserve Bank of Cleveland and the appointment of Dr. John C. Warner as a director of the Pittsburgh Branch were agreeable to Chairman Virden;

4. He had not been able to get in touch with Mr. Woodward, Chairman of the Federal Reserve Bank of Richmond, regarding the selection of a Class C director at that Bank to succeed Mr. Wysor; and

5. The appointment of Mr. A. H. Stebbins, Jr., as a director of the Little Rock Branch of the Federal Reserve Bank of St. Louis to succeed Mr. Beauchamp was agreeable to Chairman Alexander.

Governor Robertson reported that he had had discussions with Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, with respect to the appointment of a Class C director at that Bank and appointment of a director at the Denver Branch, and that Mr. Hall would make some further investigations and submit recommendations for consideration by the Board.

After some discussion of the appointments remaining to be made by the Board for terms beginning January 1, 1955, it was understood that at the time of the Chairmen's Conference later this week:

1. Chairman Martin would discuss with Chairman Hodgkinson the selection of a Class C director at the Federal Reserve Bank of Boston to succeed Mr. Stevens and the appointment of a deputy chairman.

2. Chairman Martin would discuss with Chairman Crane and Deputy Chairman Myers, of the Federal Reserve Bank of New York, the selection of a Class C director to succeed Mr. Myers and the appointment of a deputy chairman.

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3. Governor Szymczak would discuss with Chairman Perrin, of the Federal Reserve Bank of Minneapolis, the appointment of a Class C director to succeed former Governor Miller and the appointment of a deputy chairman.

4. Governor Mills would discuss with Chairman Brawner, of the Federal Reserve Bank of San Francisco, the appointment of a Class C director to succeed Mr. Wellman.

5. Governor Robertson would discuss with Chairman Hall the appointment of a Class C director at the Federal Reserve Bank of Kansas City to succeed Mr. Hague and the appointment of a director at the Denver Branch to succeed Mr. Winder.

6. Governor Balderston would discuss with Chairman Woodward the appointment of a Class C director at the Federal Reserve Bank of Richmond to succeed Mr. Wysor, and would ascertain whether Chairman Woodward saw any objection to the appointment of Mr. Decker as Deputy Chairman of the Richmond Bank.

7. Governor Balderston would discuss with Chairman Harris the selection of a Class C director at the Federal Reserve Bank of Atlanta to succeed Mr. Reinhold and the selection of a director at the Nashville Branch to succeed Mr. Meacham, and would ascertain whether Chairman Harris saw any objection to the appointment of Mr. Branch as Deputy Chairman of the Atlanta Bank.

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

The meeting then adjourned.

Secretary

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