

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 30, 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. Thurston, Assistant to the Board  
Mr. Thomas, Economic Adviser to the Board  
Mr. Vest, General Counsel  
Mr. Sloan, Director, Division of Examinations  
Mr. Marget, Director, Division of International Finance  
Mr. Sprecher, Assistant Director, Division of Personnel Administration  
Mr. Dembitz, Assistant Director, Division of International Finance  
Mr. Thorne, Assistant to the Director, Division of International Finance

The following matters, which had been circulated to 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 members of the Board's staff as follows:

Salary increases, effective December 5, 1954

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Research and Statistics</u>		
Dorothy A. Culbertson, Clerk		\$3,415	\$3,495
Alice Swindlehurst, Statistical Assistant		4,705	4,830

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Salary increases, effective December 5, 1954 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Examinations</u>		
John H. Hotson, Assistant Federal Reserve Examiner		\$3,795	\$3,920
Eugene M. Tangney, Assistant Federal Reserve Examiner		3,535	3,795
	<u>Administrative Services</u>		
William R. McDonald, Clerk		3,415	3,495
Anna E. Imhoff, Cook		3,150	3,230

Transfer, effective December 1, 1954

Dorothy Werner, Clerk-Stenographer, Division of Bank Operations, to the position of Secretary in the Office of the Controller, with no change in basic salary at the rate of \$4,160 per annum.

Approved unanimously.

Memorandum dated November 22, 1954, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Morris A. Copeland, of Cornell University, as Consultant for work on the flow-of-funds studies being conducted by the Division of Research and Statistics, on a temporary contractual basis, with compensation at the rate of \$50 per day for each day worked for the Board, either in Washington or outside the city, plus a per diem in lieu of subsistence of \$15 for the amount of time spent in a travel status in connection with his assignment, and transportation expenses in accordance with the Board's travel regulations applicable to an assistant division head. The memorandum stated that for purposes of travel, Mr. Copeland's headquarters would be Ithaca, New York.

Approved unanimously.

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Memorandum dated November 22, 1954, from Mr. Sloan, Director, Division of Examinations, recommending that James B. Forbes, Manager of the Auditing Department of the Federal Reserve Bank of Atlanta, be appointed an Assistant Federal Reserve Examiner while assigned to duty with the Board's field examining staff during the calendar year 1955. The memorandum stated that Mr. Forbes would remain on the pay roll of the Federal Reserve Bank of Atlanta on a reimbursable basis while assigned to duty with the field staff; that reimbursement to the Federal Reserve Bank would include his salary and all related payments such as retirement system, social security, hospitalization-surgical insurance, and group life insurance; and that during the period of his service with the field staff the Board would pay Mr. Forbes' travel expenses and per diem in lieu of subsistence on the same basis as is applicable to the other members of the field staff. The memorandum also stated that it was contemplated that Mr. Forbes would report in Washington, D. C., on January 3, 1955, that he would join the field staff shortly thereafter, and that his official headquarters would be Atlanta, Georgia.

Approved unanimously.

Letter to the Board of Directors, Rhode Island Hospital Trust Company, Providence, Rhode Island, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Boston, the Board of Governors approves the establishment of a branch at the corner of Park and Reservoir Avenues, Cranston, Rhode Island, by the Rhode Island Hospital Trust Company provided the branch is established within six months from the date of this letter.

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

Letter to The St. Lawrence County National Bank of Canton, Canton, New York, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee, executor, administrator, guardian of estates, assignee, receiver, and committee of estates of lunatics, grants you authority to act, when not in contravention of State or local law, as

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registrar of stocks and bonds or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of New York. The exercise of all such powers shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

A formal certificate indicating the fiduciary powers which The St. Lawrence County National Bank of Canton is now authorized to exercise will be forwarded to you in due course.

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

Letter to the Board of Directors, Commerce Union Bank, Nashville, Tennessee, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Atlanta, the Board of Governors approves the establishment of a branch by Commerce Union Bank, Nashville, Tennessee, at the northeast corner of Fourth Avenue North and Deaderick Street, Nashville, Tennessee, provided the branch is established within six months from the date of this letter.

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

Letter to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

This refers to Mr. Galvin's letter of November 12 and to the exchange of telegrams on November 19 relating to the misclassification of \$700,000 of time deposits of States and political subdivisions as time deposits of individuals, partnerships, and corporations in the report of condition as published by the Bank of Las Vegas, Las Vegas, Nevada, as of October 7, 1954.

The size of this misclassification is relatively large, but inasmuch as republication at this late date would probably serve no useful purpose and the error is



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believed to be inadvertent, republication of the bank's report need not be required.

Approved unanimously.

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

There are enclosed copies of a letter dated November 17, 1954, and its enclosure, from Mr. Hugh Bullock, Chairman, Federal Reserve Committee of the National Association of Investment Companies, requesting that the Board rescind two published interpretations concerning the applicability of section 32 of the Banking Act of 1933, as amended, to open-end investment companies whose shares are distributed through independent organizations. Also enclosed is a copy of an acknowledgement to Mr. Bullock of this date.

You will recall having received for comment with the Board's letter of January 27, 1954, a copy of correspondence to the Board from Mr. Bullock dated January 20, 1954. Mr. Wiltse's letter of March 3, 1954, indicated that Mr. Bullock wished to propose for the Board's consideration an amendment to Regulation R to permit member bank directors to serve also as directors of open-end investment companies, and that the matter had been the subject of correspondence in May 1953 between you and Mr. Bullock, and had been discussed with you and Mr. Tiebout by Mr. Bullock and his Counsel, Mr. Jaretzki, in February 1954. As noted above, Mr. Bullock's recent letter requests that the Board reconsider its previous interpretations concerning the matter.

To assist it in this connection, the Board will appreciate receipt of such comments as you may have with respect to the matter, and particularly with respect to Mr. Bullock's correspondence of November 17.

Approved unanimously, together  
with the following letter to Mr.  
Bullock:

This will acknowledge your letter to Chairman Martin of November 17, 1954, and its enclosure, requesting that the Board rescind its interpretations published in the

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May 1941 Federal Reserve Bulletin, page 399, and in the June 1951 Federal Reserve Bulletin, page 645, concerning the application of section 32 of the Banking Act of 1933, as amended, to open-end investment companies whose shares are distributed through independent organizations.

In accordance with its usual practice in such cases, the Board has referred a copy of your letter of November 17 and its enclosure to the Federal Reserve Bank of New York for its comments or suggestions.

The matter, of course, is also under study here at the Board, and it is hoped to be able to advise you further in the matter at an early date.

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

Referring to the Board's letter of August 26, 1954, regarding the issuance of identification cards and vehicle markers to selected personnel of the Federal Reserve Banks for use during an emergency, there is enclosed for your information a copy of a letter addressed by the Board under date of October 14, 1954, to Mr. Leslie L. Kullenberg, Director, Federal Emergency Control Office, Federal Civil Defense Administration, together with a copy of Mr. Kullenberg's reply dated October 27, 1954, stating that the procedure outlined in the Board's letter of August 26 has the approval of FCDA and that the authority of "issuing officers" designated at the Reserve Banks will continue during any emergency.

It may be several weeks before the cards and markers become available for distribution. However, they will be forwarded to you promptly upon receipt.

Approved unanimously, together with the following letters, after a brief discussion of the reasons for issuing identification cards and vehicle markers to staff members of the Retirement System of the Federal Reserve Banks:

Letter to Mr. Treiber, First Vice President, Federal Reserve Bank of New York

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Reference is made to your letter of September 16, 1954, responding to the Board's letter of August 26, 1954 (S-1546), relative to the emergency identification system for Federal employees.

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Your request for an excess supply of 500 identification cards and 100 vehicle markers has been noted, and your basic request will be increased accordingly. It may be several weeks before these cards become available. However, they will be forwarded to you promptly upon receipt.

With respect to your assumption that the authority of "Issuing Officers" would continue, and that additional such officers could be appointed during an emergency, the Board has been advised by Mr. Leslie L. Kullenberg, Director, Federal Emergency Control Office, Federal Civil Defense Administration, that this assumption is correct and a copy of Mr. Kullenberg's letter is being sent to you separately.

You have raised the question as to how the needs of the Retirement System of the Federal Reserve Banks for identification cards and vehicle markers might be met should an emergency make it necessary to transfer its operations to the Federal Reserve Bank of Atlanta. You express some doubt as to the propriety of the Reserve Bank issuing cards and markers to persons not on its payroll. While it is believed that the matter would be expedited if the necessary cards and markers could be issued to staff members of the Retirement System by the Federal Reserve Bank, nevertheless, in the light of your views, the Board will arrange for the direct issuance by the Board of cards and markers to the selected members of the staff of the Retirement System. Mr. Kullenberg of FCDA has advised that there will be no objection to the issuance of such cards and markers by the Board.

Letter to Mr. Irons, President, Federal Reserve Bank of Dallas

Reference is made to your letter of September 8, 1954, responding to the Board's letter of August 26, 1954 (S-1546), relative to the emergency identification system for Federal employees.

Your comments as to the possibility of an emergency of such proportions occurring as to render your present plans inadequate, and your suggested method of handling it have been noted. We discussed with Mr. Leslie L. Kullenberg, Director, Federal Emergency Control Office, Federal Civil Defense Administration, the matter of furnishing extra identification cards and vehicle markers, numbered and signed, to a nonissuing officer, for subsequent distribution in extreme emergencies, and he stated there would be no objection to such a practice. We are, therefore, increasing

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your basic request by 50 each of the identification cards and vehicle markers. It may be several weeks before these cards become available. However, they will be forwarded to you promptly upon receipt.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., (Attention: Mr. G. W. Garwood, Deputy Comptroller of the Currency), reading as follows:

Reference is made to a letter from your office dated October 12, 1954, enclosing photostatic copies of an application to organize a national bank at Corpus Christi, Texas, and requesting a recommendation as to whether or not the application should be approved.

On the basis of information contained in a report of investigation of the application made by an examiner for the Federal Reserve Bank of Dallas, it appears that the proposed capital structure and future earnings prospects of the bank would be satisfactory. The management of the institution would be in the hands of a comparatively young man whose experience and administration in the loaning field appear somewhat limited, and there may be some question as to the need for additional banking facilities in the area at this time. However, after consideration of all of the circumstances, the Board recommends approval of the application.

The Board's Division of Examinations will be glad to discuss this case with representatives of your office, if you so desire.

Approved unanimously.

Letter to Mr. Grant W. Anderson, Vice President, Northwestern National Bank of Minneapolis, Minneapolis, Minnesota, reading as follows:

This is in response to your letter of October 19, 1954, in which you refer to the position taken by the Board in 1936 (22 F. R. Bull. 121) to the effect that the granting of overdrafts or carrying of cash items for executive officers of member banks constitutes loans or extensions of credit as defined in the Board's Regulation O. You have asked to be advised whether the present position of the Board is the same as it was in 1936 or whether the Board now would recognize an exception in the case of an overdraft by an executive officer which is not in excess of the accrued salary earned by such officer.



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The Board, in accordance with your request, has reviewed its 1936 opinion in the light of the circumstances stated in your letter. While aware of the problems which occasionally may arise, the Board is of the view that a departure from the position taken in 1936 would not be desirable. When viewed in the light of the purposes of the regulation it is believed that this construction is not unduly rigid or burdensome, particularly in view of the fact that the regulation also provides that advances of unearned salary or other unearned compensation for periods not in excess of 30 days and advances against accrued salary or other accrued compensation are not included within the definition of the terms "loan", "loaning", "extension of credit", and "extended credit" as used in the regulation. While the formality of making an advance unfortunately may involve some paper work, the prevention of abuses which might otherwise develop appears to justify the Board's position in the matter.

While, as you have indicated, some bankers may not be aware of the Board's 1936 construction of the regulation, the Bulletin is made available to all member banks and, in addition, any inadvertent violation which is discovered in the course of examination is brought to the attention of the bank's management.

Approved unanimously, with the understanding that a copy would be sent to Mr. Powell, President, Federal Reserve Bank of Minneapolis.

Letter for the signature of the Chairman to The Honorable Ralph W. Gwinn, House of Representatives, Washington, D. C., reading as follows:

Your courtesy in submitting with your letter of November 9, 1954 a copy of the galley proof of the material relating to the Federal Reserve Board which the Subcommittee on Educational Activities of the Federal Government proposes to include in the record of its study is appreciated.

We have only one suggestion to make with respect to the proposed statement. The Board would prefer to avoid the implication of the statement, as it now stands, that it "conducts no educational activity" since there is an element of education in its various publications.

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It is understood that your inquiry does not include publications and news letters. However, to avoid the possible implication that no educational value attaches to its various publications, the Board would suggest that your statement be changed to read: "The Federal Reserve Board cooperates in the training programs of bank examiners with the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency."

Approved unanimously.

Letter to Mr. John J. McCloy, Chairman of the Board of Directors, The Chase Bank, New York, New York, reading as follows:

There is enclosed a copy of the report of examination of the Home Office of The Chase Bank, New York, New York, made as of August 13, 1954, by examiners for the Board of Governors of the Federal Reserve System. The figures for the foreign branches shown in the combined statement of condition, as well as the figures for The Chase National Executors and Trustees Corporation Limited and Union Provinciale Immobiliere, were supplied by the Home Office.

As may be noted from the Summary of Examiner's Classifications on page 12 of the report, the examiner has classified the depreciation in the stock of Inter-americana de Financiamiento e Inveestimentos S. A. in the amount of \$145,362.09 as LOSS. It is requested that this amount be charged off, or otherwise eliminated, and the Board of Governors advised when this has been accomplished.

Approved unanimously, with the understanding that copies of the letter of transmittal and the report would be sent to Mr. Wiltse, Vice President, Federal Reserve Bank of New York.

Letter to Mr. Edward L. Love, Senior Vice President, The Chase National Bank of the City of New York, New York, New York, reading as follows:

This refers to your letter of November 19, 1954, in which you indicated that your Bank, with certain

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other persons and corporations, is planning to form a corporation under section 25(a) of the Federal Reserve Act for the purpose of providing intermediate term credit for exports from this country, and that the proposed name for such corporation is "American Overseas Finance Corporation". You enclosed a preliminary application executed under date of November 19 on FRB Form 150 which, like your letter, requests that such name be approved and reserved for a period of 30 days.

As you pointed out, section IV of Regulation K provides that the title of every corporation formed under section 25(a) of the Federal Reserve Act shall include the word "foreign" or the word "international". The Board has decided, however, that such regulatory requirement may be appropriately waived in the circumstances of this case. Accordingly, the Board hereby approves and reserves for a period of 30 days the proposed name "American Overseas Finance Corporation".

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

Letter to the Presidents of all Federal Reserve Banks, revised pursuant to the discussion at the meeting on September 10, 1954, and reading as follows:

This letter supersedes the Board's letter S-1488 dated February 26, 1953 (F.R.L.S. #9092), relating to the support of A.I.B. activities by the Federal Reserve System, and eliminates a number of the restrictive provisions of that letter.

The Board of Governors is in agreement with the policy followed by the Federal Reserve Banks of encouraging their employees to participate in A.I.B. activities and study courses, and of providing leadership in other ways to further sound banking methods and the development of efficient bank personnel. Reserve Bank officers make a substantial contribution toward the accomplishment of these objectives by showing a cooperative attitude toward A.I.B. activities in their contacts with department managers, supervisors, and assistants; by granting whatever time is necessary for employees to perform duties assigned to a chapter appointment; by accepting assignments as class instructors where possible; and by attending the annual banquets of the local chapters.

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While Federal Reserve Bank officers and employees enrolling in A.I.B. courses would normally assume the expense of membership dues, tuition fees, and cost of textbooks, the Banks are free to utilize whatever means seem desirable for advancing such monies to those who need assistance. The extent to which the Reserve Banks refund tuition fees and the cost of textbooks, as an incentive and reward for scholastic effort, to employees who successfully complete their courses is a matter within the discretion of the Banks.

The selection of delegates to the national A.I.B. convention, and the granting of leave with pay and payment of traveling expenses of such delegates, also rests in the discretion of the Federal Reserve Bank. It is felt, however, that the Reserve Bank's contribution to the expenses of a delegate should be limited to the difference between the Bank's normal allowance and any amount that may be allowed by the A.I.B. chapter.

As a further incentive to employee participation, Federal Reserve Banks are free to pay all or a portion of the cost of tickets to the chapter banquets for employees who are members of the local A.I.B. chapters.

It is appropriate for the Federal Reserve Banks to contribute to the support of the local A.I.B. chapters in some reasonable relation to the percentage of eligible employees at the Bank or Branch to the total number of employees in the banking community. Generally speaking, in determining the number of eligible employees, guards, elevator operators, janitors, and other building help should not be included.

Approved unanimously.

Memorandum from Messrs. Thomas and Marget dated November 4, 1954, regarding the publication of the proceedings of the Fourth Meeting of Technicians of Central Banks of the American Continent, which was held in Washington and New York in May 1954. For reasons stated, the memorandum recommended that bids be obtained for having the proceedings printed in Mexico. The memorandum, which was supported by a memorandum dated November 22, 1954, from Mr. Solomon, Assistant General Counsel, regarding the legal questions involved in a decision to have the work done outside the United States, submitted for the Board's consideration a proposed letter to The Honorable Francis White, American Ambassador to Mexico, Mexico D. F., Mexico, reading as follows:

During a visit to Mexico City in July, Mr. Lewis N. Dembitz, Assistant Director of the Board's Division



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of International Finance, discussed with Miss Frisco of your staff the possibility of having the Proceedings of the Fourth Meeting of Technicians of Central Banks of the American Continent printed in Mexico. Because a considerable part of these proceedings is in Spanish, we understand that there would be a substantial cost advantage in having the printing done in Mexico, and also we understand that there are a number of establishments in Mexico that are capable of doing this job in a satisfactory manner. Therefore, we wish to obtain bids from several responsible firms in Mexico, and we would greatly appreciate the assistance of the Embassy in connection with this matter.

It is our usual practice to obtain bids from at least three different firms before we sign a contract. We have drawn up the enclosed form of notice to prospective bidders, and we now wish to have you place this form in the hands of three or more responsible firms.

Informal contacts have already been made on our behalf with the following two firms:

Grafica Panamericana,  
Parroquia 911,  
Mexico 12, D. F.

Editorial Cultura,  
Talleres Graficos,  
S. A.,  
Av. Rep. de Guatemala  
96,  
Mexico D. F.

We understand that Miss Frisco has the names of other firms which have done satisfactory work for the Embassy. In addition, the following names have been given to us by international organizations here which have had printing work done in Mexico:

La Prensa Medica Mexicana,  
Durango 145,  
Mexico 7, D. F.

Talleres Graficos De La Nacion,  
Mexico D. F.

Dr. Alfredo Marquez Campos,  
Aleganoro Dumas 239,  
Mexico D. F.

It would be greatly appreciated if the Embassy would select three or more firms (including Grafica Panamericana and Editorial Cultura if the Embassy considers them to be responsible), and would then forward four copies of our enclosed notice to each of them.

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There may be additional information necessary before any contract can finally be signed in connection with this printing job. We may therefore need to ask further help from the Embassy, and the Board will greatly appreciate it if we have your permission to call on the Embassy for this purpose. We shall also be most appreciative if the Embassy will give the bidders such assistance as they may seem to need in interpreting our forms.

At the conclusion of a discussion regarding the procedure suggested in the memorandum, during which particular reference was made to the savings anticipated by having the work done in Mexico (at a total cost estimated at about \$7,000, on the basis of 500 copies, as against about \$12,000 if the work were done in the United States), unanimous approval was given to the letter to Ambassador White in the form set forth above.

Messrs. Thomas, Marget, Dembitz, and Thorne then withdrew from the meeting.

Reference was made to a memorandum dated November 24, 1954, from the Division of Examinations regarding the numerical strength of the official staff at the Federal Reserve Bank of Kansas City, as discussed by Mr. Lang, Chief Federal Reserve Examiner, in papers submitted by him relating to the examination of the Kansas City Bank made as of June 28, 1954. The memorandum, which had been circulated to the members of the Board, suggested discussion of the matter with Mr. Hall, Chairman of the Reserve Bank, at the time of the forthcoming Chairmen's Conference and also submitted a draft of letter to Mr. Hall reading as follows:

At the completion of the examination of the Federal Reserve Bank of Kansas City, made as of June 28,

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1954, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy also was left for President Leedy. The Board will appreciate advice that the report has been considered by the Board of Directors.

The Board has noted that the procedures of the Currency Redemption Unit were being re-examined in the light of the observations of the examiners discussed in the report of examination and would appreciate being informed as to the results of such re-examination.

Any additional comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated.

During a discussion the view was expressed by members of the Board that the problem of the official organization at the Federal Reserve Bank of Kansas City was essentially a management problem which would continue over a relatively long period even if steps were taken promptly to augment the staff and introduce younger personnel capable of development. Governor Robertson stated that he had had discussions with President Leedy of the Reserve Bank, and later with Chairman Hall, and that he believed the instituting of appropriate measures to meet the situation was a task which would have to be undertaken at the initiative of the Bank's Board of Directors.

At the conclusion of the discussion, unanimous approval was given to the letter to Chairman Hall in the form set forth above, with the understanding that the management problem would be the subject of further discussion with Chairman Hall.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 29, 1954, were approved unanimously.

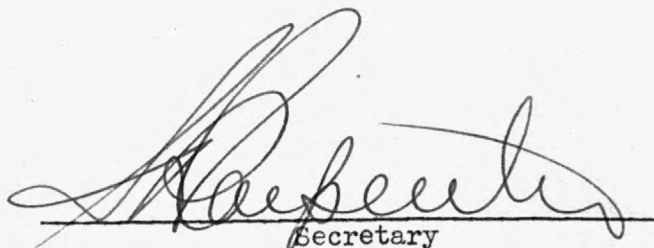
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All of the members of the staff then withdrew and the Board went into executive session.

The Chairman later informed the Secretary that during the executive session the Board appointed an ad hoc committee consisting of Governor Szymczak, as Chairman, and Governors Vardaman and Balderston to review the proposed budgets of the Board and the Federal Reserve Banks for the year beginning January 1, 1955, and the salaries proposed by the directors of the respective Reserve Banks for officers for the year 1955, and to make recommendations with respect to actions that the Board might take.

The meeting then adjourned.



Secretary