

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 4, 1955. 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. 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. Solomon, Assistant General Counsel
Mr. Noyes, Assistant Director, Division of Research and Statistics

The following members of the staff of the Division of International Finance also were present:

Mr. Marget, Director
Mr. Dembitz, Assistant Director
Mr. Hersey, Chief, Special Studies Section
Mr. Tamagna, Chief, Financial Operations and Policy Section
Mr. Whittington, Chief, Far Eastern Section
Mr. Grimwood, Economist
Mr. Katz, Economist
Mr. Olson, Economist

The staff of the Division of International Finance presented a review of international financial developments, emphasizing particularly the relationship of such developments to prospects for the establishment of currency convertibility by various foreign countries.

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The members of the staff with the exception of Messrs. Carpenter, Riefler, Thomas, Vest, and Young then withdrew and Messrs. Thurston, Assistant to the Board, and Molony, Special Assistant to the Board, were called into the meeting.

Chairman Martin referred to the informal discussion by the members of the Board yesterday of the business and credit situation, and particularly the question whether action should be taken to increase margin requirements prescribed in Regulations T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange. Following comments by Messrs. Young, Riefler, and Thomas on the increased level of economic activity and conditions in the money and securities markets, the informal discussions were continued.

At 11:50 a.m. the meeting recessed and reconvened at 2:30 p.m. with the same attendance as at the end of the morning session except that Mr. Solomon, Assistant General Counsel, was also in attendance.

Following a further informal discussion, the members of the staff withdrew and the Board went into executive session.

Thereafter, at the request of the Board, Governor Szymczak informed the Secretary that during the executive session the Board approved by unanimous vote the following amended Supplements to Regulations T and U, to become effective immediately, with the understanding that (1) the action would be released to the press at 6:30 p.m. today in a statement in the form set forth below, (2) that the amendments

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would be sent by wire to the Federal Reserve Banks with the request that they print and distribute the amendments in the usual course to interested parties in their districts, and (3) that a notice of the action for publication in the Federal Register would contain the paragraph also set forth below:

Amended Supplement to Regulation T

Maximum loan value for general accounts. - The maximum loan value of a registered security (other than an exempted security) in a general account, subject to section 3 of Regulation T, shall be 40 per cent of its current market value.

Margin required for short sales in general accounts. - The amount to be included in the adjusted debit balance of a general account, pursuant to section 3(d)(3) of Regulation T, as margin required for short sales of securities (other than exempted securities) shall be 60 per cent of the current market value of each such security.

Amended Supplement to Regulation U

For the purpose of section 1 of Regulation U, the maximum loan value of any stock, whether or not registered on a national securities exchange, shall be 40 per cent of its current market value, as determined by any reasonable method.

Statement for the Press

The Board of Governors of the Federal Reserve System today amended Regulations T and U, relating respectively to margin requirements of brokers and banks, by increasing margin requirements from 50 per cent to 60 per cent, effective immediately. The increased requirements apply to both purchases and short sales. No other change was made in the Regulations.

Paragraph in Notice for Publication in the Federal Register

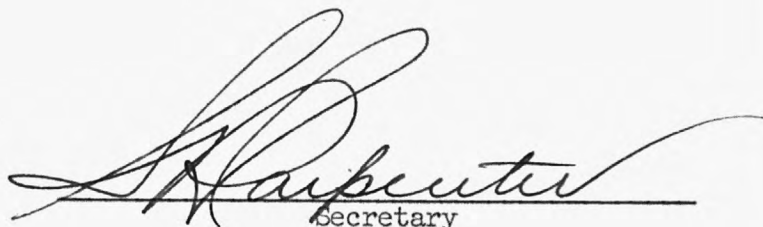
The notice and public procedure described in sections 4(a) and 4(b) of the Administrative Procedure Act, and the

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thirty day prior publication described in section 4(c) of such Act, are impracticable, unnecessary and contrary to the public interest in connection with this amendment for the reasons and good cause found as stated in § 262.2(e) of the Board's Rules of Procedure (Part 262 of this chapter).

The meeting then adjourned.



Secretary