Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 7, 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. Johnson, Controller, and Director, Division of Personnel Administration

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

Memoranda dated December 22, 1954, and January 3, 1955, respectively, from Mr. Marget, Director, Division of International Finance, recommending increases in the basic annual salaries of the following employees in that Division, effective January 16, 1955:

<table>
<thead>
<tr>
<th>Name and title</th>
<th>Basic annual salary</th>
</tr>
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<tbody>
<tr>
<td>Henry K. Heuser, Chief, Central and Eastern European Section</td>
<td>$10,400 $10,800</td>
</tr>
<tr>
<td>Mary J. Katinas, Clerk-Stenographer</td>
<td>3,110 3,255</td>
</tr>
</tbody>
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Approved unanimously.

Letter to Mr. Irons, President, Federal Reserve Bank of Dallas, reading as follows:

Through your circular letter dated December 23, 1954, it has come to our attention that, effective January 1, 1955, Mr. J. L. Cook, Vice President and Cashier at the
Head Office, was appointed Vice President in charge of the Houston Branch, and Mr. W. H. Holloway, Vice President in charge of the Houston Branch, was appointed Vice President and Cashier at the Head Office.

It is assumed that through oversight the Board of Governors was not advised of these appointments in accordance with the procedure described in the Board's letter of July 26, 1954, S-1541. It is further assumed that no changes in salaries are involved.

In the circumstances, the Board of Governors approves the payment of salaries to Mr. J. L. Cook, as Vice President, Houston Branch, and Mr. W. H. Holloway, as Vice President and Cashier, Head Office, for the period January 1, 1955 through December 31, 1955, at their present rates of $14,000 and $13,500 per annum, respectively, if fixed by the Board of Directors at such rates.

Approved unanimously.

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

This is in reply to your letter of December 29, 1954, with which you enclosed a letter dated December 28 from The Chase National Bank of the City of New York requesting the Board of Governors to renew the reservation of the corporate title "American Overseas Finance Corporation", which the Board, in its letter of November 30, had approved and reserved for the Bank's use for a period of thirty days.

You are requested to inform The Chase National Bank that the Board has decided to reserve indefinitely, for the Bank's use, the quoted corporate title. However, the Board reserves the right to terminate the reservation of title at any time upon due notice to The Chase National Bank.

The December 28 letter from The Chase National Bank states that

"Our counsel have submitted a draft of the proposed Articles of Association of American Overseas Finance Corporation to counsel for the Board of Governors of the Federal Reserve System for their consideration."

In order to avoid misunderstanding, you may wish to advise the Bank that the Board of Governors has received a document headed "EXHIBIT A" (dated 12/20/54) which is understood to
be a part of the proposed Articles of Association of American Overseas Finance Corporation, but the Board has not received a draft of the complete Articles.

Approved unanimously.

Letter to the Board of Directors, The Liberty Trust Company, Cumberland, Maryland, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Richmond, the Board of Governors of the Federal Reserve System approves the establishment of a branch by The Liberty Trust Company, Cumberland, Maryland, on U. S. Highway 40 about four and one-half miles west of the main office of The Liberty Trust Company in an area known as the LaVale section, Allegany County, Maryland, provided the branch is established within nine months of the date of this letter.

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

Mr. Johnson then withdrew from the meeting.

There was presented a request from Mr. Koch, Assistant Director, Division of Research and Statistics, for authority to travel to New York, New York, on January 11, 1955, to attend a conference at the Bankers Trust Company on the outlook for long-term interest rates.

Approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Atlanta, St. Louis, Minneapolis, Dallas, and San Francisco approving the establishment without change by the Federal Reserve Banks of Boston and St. Louis on January 3, by the Federal Reserve Banks of Dallas and San Francisco on January 5, and by
the Federal Reserve Banks of New York, Philadelphia, Cleveland, Atlanta, and Minneapolis on January 6, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Messrs. Leonard, Director, Division of Bank Operations, and Vest, General Counsel, entered the room.

The following matters, on which the pertinent files had been circulated among the members of the Board, were presented for consideration and the action taken in each instance was as indicated:

Telegram to Mr. Bryan, President, Federal Reserve Bank of Atlanta, reading as follows:

Re: Reurl December 23, Board will interpose no objection to acceptance of low bid of $269,900 for construction of a parking garage adjacent to Head Office building, as recommended by Executive Committee of your Bank.

Approved unanimously.

Letter to Mr. Patterson, Vice President and General Counsel, Federal Reserve Bank of Atlanta, reading as follows:

This refers to your letter of November 15, 1954, and to subsequent correspondence and discussions regarding the bids for the design and installation of a complete air conditioning and ventilating system in connection with the proposed addition and alterations to the Birmingham Branch building.

Mr. Bryan has been furnished with a copy of the Board's letter of December 13 to Mr. Tweedell, of the Washington office of the Carrier Corporation, to which no reply has been received.

Your letter of November 15 requests approval by the Board of Governors at this time of selection by the Bank of York Corporation as the air conditioning and ventilating contractor, with the understanding that if the final
building plans are approved by the Board of Governors and if the construction is authorized, the York Corporation will become the air conditioning and ventilating subcontractor under the successful general contractor at the price submitted, $281,500, which was the low bid.

The Board will interpose no objection to the program proposed, which you have advised was unanimously approved by the Directors.

Approved unanimously, for transmittal on January 13, 1955 (that date being 30 days after the date of the Board's letter to the Carrier Corporation regarding this matter) provided there were no interim developments which would require further consideration of the matter by the Board.

Memorandum from Mr. Leonard dated January 3, 1955, regarding preliminary plans and cost estimates for the new Nashville Branch building submitted by the Federal Reserve Bank of Atlanta. After commenting on the size and estimated cost of the building and its proposed location on the site, the memorandum recommended that the Board accept the general plan and size of the building without giving formal advice to the Reserve Bank at this time and with the understanding that Mr. Leonard would take up with the Reserve Bank in the usual manner various suggestions made by Mr. Persina, Consulting Architect to the Board, along with the question of costs, including the relatively low percentage of "building proper" cost to the total cost. The memorandum stated that the preliminary plans, as revised or as further explained in the light of these further discussions, would then be submitted to the Board for its consideration and formal action.

Following a discussion based on comments by Mr. Leonard, the recommendations contained in his memorandum were approved unanimously.

At this point Mr. Hackley, Assistant General Counsel, entered the room.

Reference was made to Mr. Hackley's memorandum of January 5, 1955, copies of which had been sent to the members of the Board, recommending
that the Board adopt effective February 1, 1955, the revision of Regulation A in the form in which it was published in the Federal Register on November 30, 1954.

Governor Mills stated that very few comments and no specific suggestions for changes had been received following publication of the proposed revision of Regulation A in the Federal Register and that in the circumstances he recommended adoption of the regulation in the form in which it was published.

With regard to the proposed effective date, Governor Balderston noted that under the Administrative Procedure Act, a regulation cannot become effective until at least 30 days after its republication in the Federal Register in final form unless the agency determines for good cause that postponement of the effective date for 30 days is not necessary. He suggested, therefore, that the revision of Regulation A be adopted effective February 15, 1955, since there was no urgency and since a failure to abide by the Administrative Procedure Act might cause some unwarranted speculation as to why the prescribed period had not been allowed to expire. He also suggested that the later effective date would provide a better opportunity to distribute copies of the revised regulation to member banks.

Following a discussion, the revised Regulation A was adopted by unanimous vote in the form set forth below (this being the same form in which it was published in the Federal Register on November 30, 1954) effective February 15, 1955, with the understanding (a) that a statement would be released to the press today in the form also set forth below; (b) that the
regulation in its final form would be sent to the Federal Register for publication on or before January 15, 1955; and (c) that a telegram would be sent today to the Presidents of all Federal Reserve Banks advising of the adoption of the regulation, stating that a supply of copies of the regulation would be printed at the Board, and requesting that the Board be advised as to the number of copies which would be initially required for Reserve Bank use and for distribution to member banks.

REGULATION A

ADVANCES AND DISCOUNTS BY FEDERAL RESERVE BANKS

In announcing the following revision of Regulation A, the Board of Governors stated:

"While this revision of Regulation A makes certain changes in the language of the Regulation itself, the most important change is the revision of the foreword (General Principles) to Regulation A. The revised foreword is designed merely to restate and clarify certain guiding principles which are observed by the Federal Reserve Banks in making advances and discounts in accordance with the applicable provisions of the Federal Reserve Act and of Regulation A. The revision is not intended to further restrict or restrain access by member banks to the credit facilities of the Federal Reserve Banks."

FOREWORD TO REGULATION A

GENERAL PRINCIPLES

A principal function of the Federal Reserve Banks under the law is to provide credit assistance to member banks, through advances and discounts, in order to accommodate commerce, industry, and agriculture. This function is administered in the light of the basic objective which
underlies all Federal Reserve credit policy, i.e., the advancement of the public interest by contributing to the greatest extent possible to economic stability and growth.

The Federal Reserve System promotes this objective largely by influencing the availability and cost of credit through action affecting the volume and cost of reserves available to the member banks. Through open market operations and through changes in reserve requirements of member banks, the Federal Reserve may release or absorb reserve funds in accordance with the credit and monetary needs of the economy as a whole. An individual member bank may also obtain reserves by borrowing from its Federal Reserve Bank at a discount rate which is raised or lowered from time to time to adjust to the credit and economic situation. The effects of borrowing from the Federal Reserve Banks by individual member banks are not localized, as such borrowing adds to the supply of reserves of the banking system as a whole. Therefore, use of the borrowing facility by member banks has an important bearing on the effectiveness of System credit policy.

Access to the Federal Reserve discount facilities is granted as a privilege of membership in the Federal Reserve System in the light of the following general guiding principles.*

Federal Reserve credit is generally extended on a short-term basis to a member bank in order to enable it to adjust its asset position when necessary because of developments such as a sudden withdrawal of deposits or seasonal requirements for credit beyond those which can reasonably be met by use of the bank's own resources. Federal Reserve credit is also available for longer periods when necessary in order to assist member banks in meeting unusual situations, such as may result from national, regional, or local difficulties or from exceptional circumstances involving only particular member banks. Under ordinary conditions, the continuous use of Federal Reserve credit by a member bank over a considerable period of time is not regarded as appropriate.

In considering a request for credit accommodation, each Federal Reserve Bank gives due regard to the purpose of the credit and to its probable effects upon the maintenance of sound credit conditions, both as to the individual institution and the economy generally. It keeps informed of and takes into account the general character and amount of the loans and investments of the member bank. It considers whether the bank is borrowing principally for the purpose of obtaining a tax advantage or profiting from rate differentials and whether the bank is extending an undue amount of credit for the speculative carrying of or trading in securities, real estate, or commodities, or otherwise.

*These principles arise out of statutory and regulatory requirements. See especially paragraph 8 of section 4 of the Federal Reserve Act set forth in the Appendix to this Regulation.
Applications for Federal Reserve credit accommodation are considered by a Federal Reserve Bank in the light of its best judgment in conformity with the foregoing principles and with the provisions of the Federal Reserve Act and Regulation A.

REGULATION A

SECTION 1. INTRODUCTION

This Regulation is based upon and issued pursuant to various provisions of the Federal Reserve Act, the most important of which, together with related provisions of law, are published in the Appendix hereto. The Regulation is applicable to the following forms of borrowing from a Federal Reserve Bank: (1) advances to member banks on their own notes secured (a) by direct obligations of the United States, by paper eligible for discount or purchase by Federal Reserve Banks, or by obligations of certain corporations owned by the United States, or (b) by other security which is satisfactory to the Federal Reserve Bank; (2) discounts for member banks of commercial, agricultural and industrial paper and bankers' acceptances; and (3) discounts for Federal Intermediate Credit banks.

SECTION 2. ADVANCES TO MEMBER BANKS

(a) Advances on Government obligations.—Any Federal Reserve Bank may make advances, under authority of section 13 of the Federal Reserve Act, to any of its member banks for periods not exceeding fifteen days1/ on the promissory note of such member bank secured (1) by the deposit or pledge of bonds, notes, certificates of indebtedness, or Treasury bills of the United States, or (2) by the deposit or pledge of debentures or other such obligations of Federal Intermediate Credit banks having maturities of not exceeding six months from the date of the advance.2/

1/ Under the last paragraph of section 13 of the Federal Reserve Act, a Federal Reserve Bank has authority to make advances for periods not exceeding ninety days to individuals, partnerships, and corporations (including member and nonmember banks) on their promissory notes secured by direct obligations of the United States. However, advances to member banks on the security of direct obligations of the United States are normally for short periods of not exceeding fifteen days; and it is not the practice to make advances to others than member banks except in unusual or exigent circumstances.

2/ Such advances may also be made on notes secured by the deposit or pledge of Federal Farm Mortgage Corporation bonds issued under the Federal Farm Mortgage Corporation Act.
(b) Advances on eligible paper.—(1) Any Federal Reserve Bank may make advances, under authority of section 13 of the Federal Reserve Act, to any of its member banks for periods not exceeding ninety days on the promissory note of such member bank secured by such notes, drafts, bills of exchange, or bankers' acceptances as are eligible for discount by Federal Reserve Banks under the provisions of this Regulation or for purchase by such banks under the provisions of the Federal Reserve Act.

(2) In the event notes which evidence loans made pursuant to a commodity loan program of the Commodity Credit Corporation and which comply with the maturity requirements of subsection (a) of section 3 of this Regulation have been deposited in a pool of notes operated by the Commodity Credit Corporation, the certificate of interest issued by the Commodity Credit Corporation which evidences the deposit of such notes may be accepted as security for an advance to a member bank under this subsection.

(c) Advances on other security under section 10(b) of the Federal Reserve Act.—Any Federal Reserve Bank may make advances, under authority of section 10(b) of the Federal Reserve Act, to any of its member banks upon the latter's promissory note secured to the satisfaction of such Federal Reserve Bank regardless of whether the collateral offered as security conforms to eligibility requirements under other provisions of this Regulation. The rate on advances made under the provisions of this subsection shall in no event be less than one-half of 1 per cent per annum higher than the highest rate applicable to discounts for member banks under the provisions of sections 13 and 13a of the Federal Reserve Act in effect at such Federal Reserve Bank. Such an advance must be evidenced by the promissory note of such member bank payable either (1) on a definite date not more than four months after the date of such advance, or (2) at the option of the holder on or before a definite date not more than four months after the date of such advance.

SECTION 3. DISCOUNT OF NOTES, DRAFTS AND BILLS FOR MEMBER BANKS

(a) Commercial, agricultural and industrial paper.—Any Federal Reserve Bank may discount for any of its member banks, under authority
of sections 13 and 13a of the Federal Reserve Act, any note, draft, or bill of exchange which meets the following requirements:

(1) It must be a negotiable note, draft, or bill of exchange, bearing the endorsement of a member bank, which has been issued or drawn, or the proceeds of which have been used or are to be used, in producing, purchasing, carrying or marketing goods\(^5\) in one or more of the steps of the process of production, manufacture, or distribution, or in meeting current operating expenses of a commercial, agricultural or industrial business, or for the purpose of carrying or trading in direct obligations of the United States (i.e., bonds, notes, Treasury bills or certificates of indebtedness of the United States);

(2) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for permanent or fixed investments of any kind, such as land, buildings or machinery, or for any other fixed capital purpose;

(3) It must not be a note, draft, or bill of exchange the proceeds of which have been used or are to be used for transactions of a purely speculative character or issued or drawn for the purpose of carrying or trading in stocks, bonds or other investment securities except direct obligations of the United States (i.e., bonds, notes, Treasury bills or certificates of indebtedness of the United States); and

(4) It must have a maturity at the time of discount of not exceeding ninety days, exclusive of days of grace, except that agricultural paper as defined below in this section of this Regulation may have a maturity of not exceeding nine months, exclusive of days of grace; but this requirement is not applicable with respect to bills of exchange payable at sight or on demand of the kind described in subsection (b) of this section.

(b) Bills of exchange payable at sight or on demand.—Any Federal Reserve Bank may discount for any of its member banks, under authority of section 13 of the Federal Reserve Act, negotiable bills of exchange payable at sight or on demand which (1) bear the endorsement of a member bank, (2) grow out of the domestic shipment or the

\(^5\) As used in this Regulation the word "goods" shall be construed to include goods, wares, merchandise, or agricultural products, including livestock.
exportation of nonperishable, readily marketable staples, and (3) are secured by bills of lading or other shipping documents conveying or securing title to such staples. All such bills of exchange shall be forwarded promptly for collection, and demand for payment shall be made promptly, unless the drawer instructs that they be held until arrival of such staples at their destination, in which event they must be presented for payment within a reasonable time after notice of such arrival has been received. In no event shall any such bill be held by or for the account of a Federal Reserve Bank for a period in excess of ninety days.

(c) Bankers' Acceptances. —Any Federal Reserve Bank may discount for any of its member banks a banker's acceptance which bears the endorsement of a member bank and (1) which grows out of transactions involving the importation or exportation of goods, the shipment of goods within the United States, or the storage of readily marketable staples, as such transactions are more fully described in paragraphs

6/ A readily marketable staple within the meaning of this Regulation means an article of commerce, agriculture, or industry of such uses as to make it the subject of constant dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the staple itself easy to realize upon by sale at any time.

7/ A banker's acceptance within the meaning of this Regulation is a draft or bill of exchange, whether payable in the United States or abroad and whether payable in dollars or some other money, accepted by a bank or trust company or a firm, person, company, or corporation engaged generally in the business of granting bankers' acceptance credits.

8/ In the case of an acceptance growing out of the storage of readily marketable staples, the bill must be secured at the time of acceptance by a warehouse, terminal, or other similar receipt, conveying security title to such staples, issued by a party independent of the customer or issued by a grain elevator or warehouse company duly bonded and licensed and regularly inspected by State or Federal authorities with whom all receipts for such staples and all transfers thereof are registered and without whose consent no staples may be withdrawn; and the acceptor must remain secured throughout the life of the acceptance. If the goods are withdrawn from storage before maturity of the acceptance or retirement of the credit, a trust receipt or other similar document covering the goods may be substituted in lieu of the original document, provided that such substitution is conditioned upon a reasonably prompt liquidation of the credit; and, to this end, it should be required, when the original document is released, either that the proceeds of the goods will be applied within a specified time toward a liquidation of the acceptance credit or that a new document, similar to the original one, will be resubstituted within a specified time.
(1), (2), and (3), respectively, of section 1(a) of the Board's Regulation C or (2) which has been drawn by a bank or banker in a foreign country or dependency or insular possession of the United States for the purpose of furnishing dollar exchange as provided in section 2 of Regulation C; provided, that any such acceptance shall have a maturity at the time of discount of not more than ninety days' sight, exclusive of days of grace, except that an acceptance drawn for agricultural purposes and secured at the time of acceptance by warehouse receipts or other such documents conveying or securing title covering readily marketable staples may be discounted with a maturity at the time of discount of not more than six months' sight, exclusive of days of grace; and provided further, that acceptances for any one customer in excess of ten per cent of the capital and surplus of the accepting bank must remain actually secured throughout the life of the acceptance. 

(d) Construction loans.—In addition to paper of the kinds specified above, any Federal Reserve Bank may discount for any of its member banks under authority of section 24 of the Federal Reserve Act, a negotiable note which (1) represents a loan made to finance the construction of a residential or a farm building whether or not secured by lien upon real estate, (2) is endorsed by such member bank, (3) is accompanied by a valid and binding agreement, entered into by a person.

9/ The bill itself should be drawn so as to evidence the character of the underlying transaction, but if it is not so drawn evidence of eligibility may consist of a stamp or certificate affixed by the acceptor in form satisfactory to the Federal Reserve Bank.

10/ No acceptance discounted by a Federal Reserve Bank should have a maturity in excess of the usual or customary period of credit required to finance the underlying transaction or of the period reasonably necessary to finance such transaction; and no acceptance growing out of the storage of readily marketable staples should have a maturity in excess of the time ordinarily necessary to effect a reasonably prompt sale, shipment, or distribution into the process of manufacture or consumption.

11/ In the case of the acceptances of member banks this security must consist of shipping documents, warehouse receipts, or other such documents, or some other actual security growing out of the same transaction as the acceptance, such as documentary drafts, trade acceptances, terminal receipts, or trust receipts which have been issued under such circumstances, and which cover goods of such a character, as to insure at all times a continuance of an effective and lawful lien in favor of the accepting bank, other trust receipts not being considered such actual security if they permit the customer to have access to or control over the goods.

12/ Such person may be the member bank offering the note for discount or any other individual, partnership, association or corporation.
acceptable to the discounting Federal Reserve Bank, requiring such person to advance the full amount of the loan upon the completion of the construction of such residential or farm building, and (h) matures not more than six months from the date such loan was made and not more than ninety days from the date of such discount by such Federal Reserve Bank, exclusive of days of grace.

(e) Agricultural paper.—Agricultural paper, within the meaning of this Regulation, is a negotiable note, draft, or bill of exchange issued or drawn, or the proceeds of which have been or are to be used, for agricultural purposes, including the production of agricultural products, the marketing of agricultural products by the growers thereof, or the carrying of agricultural products by the growers thereof pending orderly marketing, and the breeding, raising, fattening, or marketing of livestock.

(f) Paper of cooperative marketing associations.—Notes, drafts, bills of exchange, or acceptances issued or drawn by cooperative marketing associations composed of producers of agricultural products are deemed to have been issued or drawn for an agricultural purpose within the meaning of the foregoing definition of "agricultural paper", if the proceeds thereof have been or are to be used by such association in making advances to any members thereof for an agricultural purpose, in making payments to any members thereof on account of agricultural products delivered by such members to the association, or to meet expenditures incurred or to be incurred by the association in connection with the grading, processing, packing, preparation for market, or marketing of any agricultural product handled by such association for any of its members. In addition, any other paper of such associations which complies with the applicable requirements of this Regulation may be discounted. Paper of cooperative marketing associations the proceeds of which have been or are to be used (1) to defray the expenses of organizing such associations, or (2) for the acquisition of warehouses, for the purchase or improvement of real estate, or for any other permanent or fixed investment of any kind, is not eligible for discount, even though such warehouses or other property is to be used exclusively in connection with the ordinary operations of the association.

(g) Factors' paper.—Notes, drafts, and bills of exchange of factors issued as such for the purpose of making advances exclusively to producers of staple agricultural products in their raw state are eligible for discount with maturities not in excess of ninety days, exclusive of days of grace.

(h) Collateral securing discounted paper.—Any note, draft, or bill of exchange eligible for discount is not rendered ineligible because it is secured by the pledge of goods or collateral of any nature, including paper ineligible for discount.

(i) Determination of eligibility.—(1) A Federal Reserve Bank shall take such steps as may be necessary to satisfy itself as to the
eligibility of any paper offered for discount. Compliance of paper with the provisions of paragraph (2) of subsection (a) of this section may be evidenced by a statement which adequately reflects the borrower's financial worth and evidences a reasonable excess of quick assets over current liabilities, or such compliance may be evidenced in any other manner satisfactory to the Federal Reserve Bank.

(2) The requirement of this section that a note be negotiable shall not be applicable with respect to any note evidencing a loan which is made pursuant to a commodity loan program of the Commodity Credit Corporation and which is subject to a commitment to purchase by the Commodity Credit Corporation or with respect to any note evidencing a loan which is in whole or in part the subject of a guarantee or commitment made pursuant to section 301 of the Defense Production Act of 1950 as amended.

(j) Limitations.—(1) The aggregate of notes, drafts, and bills upon which any person, copartnership, association, or corporation is liable as maker, acceptor, endorser, drawer, or guarantor, discounted for any member bank shall at no time exceed the amount for which such person, copartnership, association, or corporation may lawfully become liable to a national bank under the terms of section 5200 of the Revised Statutes of the United States, as amended.13/

(2) The law forbids a Federal Reserve Bank to discount for any State member bank notes, drafts, or bills of exchange of any one borrower who is liable for borrowed money to such State member bank in an amount greater than that which could be borrowed lawfully from such State member bank were it a national bank.

SECTION 4. GENERAL REQUIREMENTS AS TO ADVANCES AND DISCOUNTS

(a) Applications for advances or discounts.—(1) Every application by a member bank for an advance to such bank or for the discount of paper must contain a certificate of such bank, in form to be prescribed by the Federal Reserve Bank, that the security offered for the advance or the paper offered for discount, as the case may be, has not been acquired from a nonmember bank (otherwise than in accordance with section 5 of this Regulation) or, if so acquired, that the applying member bank has received permission from the Board of Governors of the Federal Reserve System to obtain advances from the Federal Reserve Bank on security so acquired or to discount with the Federal Reserve Bank paper acquired from nonmember banks.

(2) Every such application shall also contain a notation by the member bank as to whether it has on file a statement which adequately reflects the financial worth of a party primarily liable on the paper

13/ Section 5200 of the Revised Statutes of the United States is printed in the Appendix to this Regulation.
offered as security for an advance or for discount or of the person from whom the member bank acquired such paper if such person is legally liable thereon.

(3) Every application of a State member bank for the discount of paper must contain a certificate or guaranty to the effect that the borrower is not liable and will not be permitted to become liable to such bank for borrowed money during the time his paper is under discount with the Federal Reserve Bank in an amount greater than that which could be borrowed lawfully from such State bank were it a national bank.

(b) Financial statements. — In order to determine whether security offered for an advance or paper offered for discount is eligible and acceptable, any Federal Reserve Bank may require that there be filed with it statements, or certified copies thereof, which adequately reflect the financial worth (1) of one or more parties to any obligation offered as security for an advance or to any note, draft, or bill of exchange offered for discount and (2) of any corporations or firms affiliated with or subsidiary to such party or parties. A Federal Reserve Bank may in any case require such other information as it deems necessary.

(c) Other information. — Each Federal Reserve Bank is required by law to keep itself informed of the general character and amount of the loans and investments of its member banks with a view to ascertaining whether undue use is being made of bank credit for the speculative carrying of or trading in securities, real estate, or commodities, or for any other purpose inconsistent with the maintenance of sound credit conditions; and, in determining whether to grant or refuse advances or discounts, the Federal Reserve Bank is required to give consideration to such information. Each Federal Reserve Bank may require such information from its member banks as it may deem necessary in order to determine whether such undue use of bank credit is being made and whether the granting of any requested credit accommodation would be consistent with the general principles applicable to extensions of credit under this Regulation.

(d) Amount of collateral. — In connection with any advance or discount under this Regulation, a Federal Reserve Bank may require such collateral as it may deem advisable or necessary; but it is expected that the Federal Reserve Bank in determining the amount of collateral will give due regard to the public welfare and the general effects that its action may have on the position of the member bank, on its depositors, and on the community; and in general a Federal Reserve Bank should limit the amount of collateral it requires to the minimum consistent with safety.

SECTION 5. PAPER ACQUIRED FROM NONMEMBER BANKS

(a) Prohibition upon acceptance of nonmember bank paper. — Except with the permission of the Board of Governors of the Federal Reserve
Section 6. Discounts for Federal Intermediate Credit Banks

(a) Kinds and maturity of paper.—Any Federal Reserve Bank, under authority of section 13a of the Federal Reserve Act, may, with the permission of the Board of Governors, discount for any Federal Intermediate Credit bank (1) agricultural paper as defined in section 3 of this Regulation, or (2) notes payable to such Federal Intermediate Credit bank covering loans or advances made by it pursuant to the provisions of section 202(a) of Title II of the Federal Farm Loan Act, which are secured by notes, drafts, or bills of exchange eligible for discount by Federal Reserve Banks. Any paper discounted for a Federal Intermediate Credit bank must bear the endorsement of such bank and must have a maturity at the time of discount of not more than nine months, exclusive of days of grace.

(b) Limitations.—No Federal Reserve Bank shall discount for any Federal Intermediate Credit bank any paper which bears the endorsement of any nonmember State bank or trust company which is eligible for membership in the Federal Reserve System under the terms of section 9 of the Federal Reserve Act. In acting upon applications for the discount of paper for Federal Intermediate Credit banks, each Federal Reserve
Reserve Bank shall give preference to the demands of its own member banks and shall have due regard to the probable future needs of its own member banks.

(The Appendix to the revised Regulation A consisted entirely of statutory provisions.)

Secretary's Note: The statement released to the press today pursuant to the above action read as follows:

The Board of Governors of the Federal Reserve System has adopted a revision of Regulation A, which relates to advances and discounts by Federal Reserve Banks. The revision will become effective February 15, 1955.

The revision, as adopted, is identical in form with the proposed revision of Regulation A which was published in the Federal Register November 30, 1954. As was stated by the Board at that time, while this revision of Regulation A makes certain changes in the language of the Regulation itself, the most important change is the inclusion of a foreword (General Principles) to Regulation A. The foreword restates and clarifies certain guiding principles which are observed by the Federal Reserve Banks in making advances and discounts in accordance with the applicable provisions of the Federal Reserve Act and of Regulation A. The revision is not intended to further restrict or restrain access by member banks to the credit facilities of the Federal Reserve Banks.

The text of the revision will be distributed by the Federal Reserve Banks to member banks. February 15 was set as the effective date to assure time for all member banks to receive copies of the text before the revised regulation becomes effective.

All of the members of the staff except Mr. Carpenter then withdrew from the meeting.

Governor Robertson said that the members of the Board's field examining staff would be at the Federal Reserve Building on January 25
1/7/55

and 26, 1955, and that he would like to suggest that they be asked to meet with the Board and explain the procedures followed in making an examination of a Federal Reserve Bank.

It was agreed unanimously that such a meeting would be arranged at 9:45 a.m. on Tuesday, January 25.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 5, 1955, were approved unanimously.

The meeting then adjourned.

[Signature]

Secretary