

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 19, 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. Thurston, Assistant to the Board
Mr. Vest, General Counsel
Mr. Cherry, Legislative Counsel

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 from appropriate individuals concerned recommending the appointment of the following persons, effective as of the respective dates they assume their duties:

<u>Name and title</u>	<u>Division</u>	<u>Type of appointment</u>	<u>Basic annual salary</u>
Gloria Grant, Clerk-Typist	Research and Statistics	Regular	\$3,190
Raymond Eason, Cafeteria Laborer	Administrative Services	Temporary (two months)	2,552

Approved unanimously.

Memoranda from Mr. Thomas, Economic Adviser to the Board, requesting permission:

1. To participate in the central banking seminar of the Federal Reserve Bank of Boston to be held March 23-25, 1955;

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2. To participate in the meeting of the Conference of Business Economists with the faculty of the Harvard Business School in Boston on March 25-26, 1955;
3. To participate in the central banking seminar of the Federal Reserve Bank of Dallas to be held April 25-27, 1955; and
4. To participate in the annual Business Economists Conference which will be conducted under the auspices of the School of Business of the University of Chicago on April 28-29, 1955.

Approved unanimously.

Memorandum dated January 11, 1955, from Mr. Bethea, Director, Division of Administrative Services, requesting authority, for reasons stated, to attend a meeting of Federal Reserve System representatives and officials of the American Telephone and Telegraph Company, to be held in New York City on January 21, 1955, for the purpose of discussing problems relating to the operation of the Federal Reserve leased wire system.

Approved unanimously.

Letter for the signature of the Chairman to the Honorable Harold E. Stassen, Director, Foreign Operations Administration, Washington, D. C., reading as follows:

This is in reply to your letter of January 5 regarding your agency's requirements for technical assistance in connection with central banking problems in Cambodia and adjoining countries, for which you request the services of Mr. Yves Maroni, an economist on the Board's staff.

The Board will be very glad to make Mr. Maroni's services available to your agency for this purpose. His services will be made available for a period of three months, in addition to the time required for travel by air between here and Cambodia.

It is understood that the Foreign Operations Administration will defray all travel and other out-of-pocket costs involved in this mission, including payment to Mr. Maroni of the "hardship" differential applicable on the basis of his being stationed in Indochina for more than 60 days. The Board of Governors will continue Mr. Maroni's basic salary. As to the working out of the remaining details of the arrangement between our two organizations, Mr. Lewis N. Dembitz, Assistant Director of the Board's Division of International Finance, has been designated to collaborate with your staff on these matters.

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Since Mr. Maroni will be in the Far East for purposes of this Mission, the Board also wishes to have him make brief visits at the central banks of several countries en route. Extra subsistence or other expenses incurred because of these additional visits will of course be borne by the Board.

I am very glad that the Board is able to cooperate with your organization concerning the problems involved in establishing new central banks in Indochina.

Approved unanimously, with the understanding that the additional time required for Mr. Maroni's visits to central banks en route would not be more than about three weeks and that the transportation costs required to include such visits in Mr. Maroni's itinerary would be in the neighborhood of \$100.

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

In accordance with the request contained in your letter of January 6, 1955, the authorizations heretofore given your bank to designate the following employees as special assistant examiners are hereby cancelled:

- D. B. Drinkall
- W. Bobzien
- E. V. Risberg

The Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco:

- | | |
|-----------------|-------------------|
| R. J. Colthurst | D. C. Carlson |
| R. L. Krause | C. V. Hirman |
| D. V. Masten | E. V. Risberg |
| W. E. O'Donnell | G. F. Turman, Jr. |

The Board approves the designation of K. D. Johnston, Jr., as a special assistant examiner for the specific purpose of rendering assistance in the examination of State member banks only.

The Board also approves the designation of the following as special assistant examiners for the purpose of participating in the examination of all State member banks except the bank listed immediately above their names:

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American Trust Company, San Francisco, California

E. E. Livingston
W. Bobzien

Bank of Berkeley, Berkeley, California

D. B. Drinkall

Appropriate notations have been made in the Board's records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

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

Your letter of January 7, 1955, and its enclosure of January 4, were in further reference to the "Bank Fiduciary Fund" a mutual trust investment company of the kind authorized by New York statute as a medium for the common investment of trust funds held by trust companies and banks in New York acting in fiduciary capacities, either alone or with co-fiduciaries.

Such correspondence noted that the Board's letter of December 22, 1954 - which concerned the status of the Fund under section 32 of the Banking Act of 1933, as amended - stated it to be the Board's understanding, among other things, "that no shares of the Fund may be purchased by any institution which operates its own common trust fund."

The language just quoted correctly stated the Board's understanding of the matter. It was not the Board's understanding that the phrase "legal common trust fund" was used in the special sense of a common trust fund limited to "legal investments" under New York statute and in contrast to a so-called "discretionary common trust fund" the investments of which may be made at the discretion of the trustee institution.

The Board is of the view, however, that the question raised by Mr. Judd's letter of January 4, does not affect materially the conclusion reached in its letter of December 22, 1954. Accordingly, the Board's understanding in this connection henceforth will be that institutions operating common trust funds the investments of which may be made at the discretion of the trustee institutions, but not operating common trust funds limited to "legal investments", may purchase shares of the Fund.

Approved unanimously.

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Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

Reference is made to your letter of January 7, 1955, and enclosures, with respect to the retirement by the Camden Trust Company, Camden, New Jersey, of \$50,000 par value preferred stock on February 1, 1955.

After considering the information submitted and your favorable recommendation, the Board of Governors gives its prior consent to the proposed retirement of \$50,000 of preferred stock by the trust company.

It is understood that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in effecting the retirement.

Approved unanimously.

Letter to Mr. Johns, President, Federal Reserve Bank of St. Louis, reading as follows:

This is in reply to your letter of December 24 relating to the interpretation of section 303(f) of the Federal National Mortgage Association Charter Act, enacted as a part of the Housing Act of 1954. Section 303(f) reads as follows:

"Notwithstanding any other provision of law, any institution, including a national bank or State member bank of the Federal Reserve System or any member of the Federal Deposit Insurance Corporation, trust company, or other banking organization, organized under any law of the United States, including the laws relating to the District of Columbia, shall be authorized to make payments to the Association of the nonrefundable capital contributions referred to in subsection (b) of this section, to receive stock of the Association evidencing such capital contributions, and to hold or dispose of such stock, subject to the provisions of this title."

You inquire particularly whether section 303(f) purports to authorize member State banks to acquire FNMA stock where the law of the particular State either prohibits, or fails to authorize, such acquisition.

It is clear that so far as Federal law is concerned section 303(f) removes any bar to the purchase of FNMA stock by member State banks. However, the relationship of section 303(f) to State law is not clear on the face of the statute, and the legislative history of the provision throws little

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light on the question whether it was intended to enlarge the powers of member State banks so as to permit them to purchase FNMA stock regardless of the provisions of State law. It may be mentioned that informal conversations with FNMA attorneys indicate that they do not regard section 303(f) as superseding State law in this field, and the Association has addressed inquiries to the State supervisors regarding the powers of banks under their supervision to acquire FNMA stock.

In all the circumstances, the Board feels that it should not attempt to express any firm opinion on the question whether this statutory provision enlarges the powers of State banks regardless of State law. It is suggested that, until the question is authoritatively settled, the Reserve Bank exercise caution in taking any position as to the legality of acquisitions of FNMA stock by member State banks.

Approved unanimously, with the understanding that the text of the letter would be sent to the Presidents of the other Federal Reserve Banks for their information.

Letter to Mr. Millard, Secretary of the Board, Federal Reserve Bank of San Francisco, reading as follows:

This is to acknowledge your letter of January 6, 1955, enclosing revised biographical sketches for certain directors of your Bank and its branches.

It is noted that one of the directors of the Seattle Branch, Mr. Ralph Sundquist, is a limited partner in the firm of Walston & Company, of San Francisco, which is understood to be an investment firm having membership on the New York Stock Exchange and other stock exchanges. There is no provision of the law or of the Board's regulations which would preclude this affiliation and it does not appear that the Board has ever raised objection as a matter of policy to affiliations of this kind.

Approved unanimously.

Discussion of the matter referred to in the foregoing letter to the Federal Reserve Bank of San Francisco revealed no disposition on the part of the members of the Board to question Mr. Sundquist's serving

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until the end of his current term as a director of the Seattle Branch in view of the information furnished concerning the nature of his affiliation with the investment firm. Attention was drawn, however, to the possible inconsistency in permitting such an affiliation and at the same time questioning the appointment or election of Reserve Bank or branch directors engaged in such fields as the insurance business. It was also mentioned that there might be some reason to consider the policy applicable to service of Reserve Bank and branch directors with securities firms in the light of the prohibition contained in section 32 of the Banking Act of 1933 against interlocking relationships between member banks and securities companies.

At the conclusion of the discussion, Chairman Martin suggested that the whole matter of affiliations of Federal Reserve Bank branch directors be reviewed by the Board at some suitable time.

There was unanimous agreement with this suggestion.

The following requests for travel authorization were presented:

Mr. Marget, Director, Division of International Finance. To travel to Dallas, Texas, April 26-27, 1955, to participate in the central banking seminar being arranged by the Federal Reserve Bank of Dallas.

Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics. To travel to Philadelphia, Pennsylvania, on January 19, 1955, to speak at a luncheon of the Philadelphia Economists' Discussion Group.

Approved unanimously.

At this point Messrs. Young, Director, Division of Research and Statistics; Sloan, Director, Hostrup, Assistant Director, and Thompson,

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Federal Reserve Examiner, Division of Examinations; and Hackley and Hexter, Assistants General Counsel, entered the room.

Reference was made to a memorandum dated January 10, 1955, from the Division of Examinations regarding the request of Alaska Bancorporation, Anchorage, Alaska, for a general voting permit covering stock owned or controlled of the City National Bank of Anchorage, Anchorage, Alaska, a member bank, or in lieu thereof, a determination under section 301 of the Banking Act of 1935 that the corporation was not a holding company affiliate. The memorandum recommended that a section 301 determination be granted or, if the Board should decide not to make such a determination, that a limited voting permit be granted. The limited voting permit was recommended rather than a general voting permit for reasons relating to the financial condition of the applicant as of November 30, 1954.

While the file on the matter was in circulation to the members of the Board, Governor Robertson appended a memorandum stating that he would prefer the issuance of a limited voting permit to a favorable section 301 determination at this time in view of the doubtful accuracy of certain statements in the voting permit application and because of the financial condition of the applicant.

At the request of the Chairman, Governor Robertson discussed the reasons for his position. In response to a question from Governor Mills, he stated that his recommendation for the issuance of a limited voting permit was without prejudice to further consideration of a section 301

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determination at such time as additional information regarding Alaska Bancorporation was obtained through the Federal Reserve Bank of San Francisco.

Thereupon, unanimous approval was given to a telegram to Mr. Brawner, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing the issuance, under the provisions of section 5114 of the Revised Statutes of the United States, of a limited voting permit to Alaska Bancorporation entitling that organization to vote the stock which it owns or controls of City National Bank of Anchorage at any time prior to April 1, 1955, to elect directors of such bank at the annual meeting of shareholders or any adjournments thereof, and to act thereat on such matters of routine nature as ordinarily are acted upon at the annual meeting of such bank.

This action was taken with the understanding that the Federal Reserve Bank of San Francisco would be requested to obtain and transmit to the Board further information regarding Alaska Bancorporation which would be pertinent to consideration by the Board of the corporation's status as a holding company affiliate.

Prior to this meeting there had been circulated to the members of the Board, at Governor Robertson's request, a memorandum dated December 28, 1954, from Mr. Eckert, Chief of the Banking Section, Division of Research and Statistics, analyzing the emergency liquidity problem of mutual savings banks, with particular reference to the situation in the State of Massachusetts. Mr. Eckert's memorandum was prepared following receipt by Governor Robertson of a letter and memorandum dated November 16, 1954, from

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Mr. William B. Snow, chairman of a committee of the Savings Banks Association of Massachusetts which was appointed to study the whole question of emergency liquidity facilities for mutual savings banks. Mr. Snow's memorandum discussed the possibility of organizing under State law a "central bank for mutual savings banks" and raised the question of membership in the Federal Reserve System for such an institution.

Governor Robertson said that the above mentioned documents were circulated at this time so that the members of the Board might be aware of the matter and that before any action was taken by the Board, there was need for further staff discussion of the problems involved.

It was understood that the matter would be brought before the Board for further consideration after the necessary staff work had been completed.

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

At the meeting on December 29, 1954, the Board considered whether to continue the practice of sending to the Advisory Board on Economic Growth and Stability, including the members of the Council of Economic Advisers, copies of the economic reviews prepared by the Board's Division of Research and Statistics for the meetings of the executive committee of the Federal Open Market Committee. It was agreed at that time to continue to send the reviews, but with the understanding that the section thereof bearing the caption "Bank credit and reserves" would be eliminated.

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Governor Mills stated that upon considering the matter further, Mr. Young had some doubt as to the advisability of sending copies of the economic reviews outside the Federal Reserve System, but felt that if the practice were continued it would be better to include all of the report except material dealing with member bank reserve positions and related material which might well be regarded as confidential. He explained that the deletion of data on bank credit and deposit trends would, in Mr. Young's opinion, leave out material which would be important to one endeavoring to get an impression of the over-all economic situation.

Governor Mills said that he was inclined to favor continuing to send copies of the economic reviews to the Advisory Board on Economic Growth and Stability, with the portions omitted which had been suggested by Mr. Young. He also stated, in the course of a discussion of the matter, that it was his practice to read the reports carefully before they were transmitted with a view to eliminating any material the inclusion of which would seem to be undesirable.

Thereupon, it was agreed unanimously that the reviews would continue to be sent, with such deletions as were approved by Governor Mills.

Reference was made to a memorandum from the staff dated January 18, 1955, summarizing responses to Chairman Martin's telegram of January 6, 1955, to the Chairmen of all Federal Reserve Banks (sent pursuant to action taken by the Board on January 5, 1955) regarding a proposed meeting of all new Federal Reserve Bank and branch directors in Washington on February 24, 1955.

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Inasmuch as there was strong concurrence on the part of the Chairmen that a meeting of new directors was desirable and since the suggested date appeared to be as satisfactory as any other, the memorandum recommended that an attached letter of invitation be sent over Chairman Martin's signature to all of the new directors as well as to the directors who were invited to attend the meeting last year but were unable to do so, and that as soon as the letters of invitation were written, the following telegram be sent to the Chairmen of all Federal Reserve Banks:

Referring my wire January 6. There is unanimous concurrence that meeting of new directors in Washington is desirable. February 24 appears to be as satisfactory as any other time and that date has been set. Letters of invitation to attend the meeting being sent to each new head office and branch director, as well as to directors who were invited but could not attend meeting last year. Copies of invitation letters being sent to you and President of your Bank.

If you have any suggestions for changes in program as presented last year, we would be glad to have them.

Copy of this wire is being sent to the President of your Bank for his information.

The recommendations contained in the memorandum from the staff were approved unanimously.

Mr. Fauver then withdrew from the meeting.

Prior to this meeting there had been sent to the members of the Board copies of a proposed reply to a letter dated January 12, 1955, from Congressman Emanuel Celler, Chairman of the House Committee on the Judiciary, to Chairman Martin urging that the Board disapprove the establishment of branches involved in the proposed merger of The Chase National Bank of the City of New York and Bank of the Manhattan Company, also of New York City.

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Following a discussion of the matter, during which suggestions were made for changes in the draft of reply, unanimous approval was given to a letter from Chairman Martin to Congressman Celler in the following form:

This is to acknowledge your letter of January 12, with reference to the proposed merger of The Chase National Bank of the City of New York and the Bank of the Manhattan Company which came to my desk during a brief absence from Washington.

The Board is now actively considering its responsibilities in this matter. We are glad to have your views as outlined in your letter and we would appreciate receiving any additional information you may have bearing on the broad questions of public policy which your letter presents.

You may be assured that in regard to any questions that come before the Board for decision in this connection all pertinent aspects of the matter will be given full and careful consideration.

Mr. Hexter then withdrew from the meeting.

There had been sent to the members of the Board copies of a memorandum from Mr. Hackley dated January 18, 1955, with respect to a letter of January 13, 1955, from the Bureau of the Budget requesting the Board's views on a draft bill authorizing the Secretary of Health, Education, and Welfare to insure mortgage loans made by private lending institutions to finance the construction of health facilities. The Budget Bureau had advised that the President intended to send a message to Congress on this subject on January 24, and that it would like to have the Board's comments by telephone.

At the request of the Board, Mr. Hackley commented on the provisions of the draft bill and said that the proposal was one which in general did not directly affect the Board's major responsibilities. He

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noted, however, that one section of the bill would exempt mortgages insured under the bill from the limitations of section 5136 of the Revised Statutes of the United States, which would not seem appropriate since the insured mortgages would not appear to be in the category of investment securities. He also noted that another section provided that the contingent liability of the Insurance Fund set up under the bill would be fully and unconditionally guaranteed by the United States as to both principal and interest, which raised the question whether such liability would fall within the coverage of the Public Debt Act.

Mr. Hackley went on to say that a policy meeting on the proposed legislation was to be held this morning at the Budget Bureau. Therefore, after consultation with Chairman Martin and Governor Szymczak, the Budget Bureau was advised by telephone yesterday that the Board had not had an opportunity to consider the matter but that the tentative views of the staff were as outlined in his memorandum of January 18. No reference was made, Mr. Hackley said, to the possibility that the contingent liability of the Insurance Fund might fall within the coverage of the Public Debt Act since that appeared to be a matter for the Treasury Department to determine. Mr. Hackley suggested, however, that some reference might be made to this point in the Board's confirmatory letter to the Budget Bureau if the Board desired.

At the conclusion of the discussion, unanimous approval was given to a letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, in the following form:

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This is in reply to your letter of January 13, 1955, requesting the Board's views with respect to a draft bill which would provide for the insurance by the Secretary of Health, Education and Welfare of mortgage loans made by lending institutions for the purpose of financing the construction of health facilities.

This proposal is one which in general does not directly affect the Board's major responsibilities, and the Board therefore has not attempted to make a thorough appraisal of the advantages or disadvantages of the proposal.

It is noted, however, that section 251(a) of the draft bill would exempt mortgages insured under the bill from the limitations of section 5136 of the Revised Statutes. That section imposes certain restrictions and limitations upon dealings by national banks in investment securities and, by virtue of other provisions of law, is made applicable also to State banks which are members of the Federal Reserve System. Mortgage loans, however, do not normally fall within the category of investment securities, and consequently it is the view of the Board that the proposed exemption of mortgages insured under the bill from the provisions of section 5136 would not be appropriate and would not serve any useful purpose.

It is also noted that section 214(a) of the draft bill provides that the liability of the Insurance Fund set up under the bill shall be fully and unconditionally guaranteed as to both principal and interest by the United States. Doubtless you will have the views of the Treasury as to any possible question whether under this provision the liabilities of the Insurance Fund would fall within the coverage of the Public Debt Act.

There had been circulated to the members of the Board a draft of reply to a letter dated January 5, 1955, from Congressman Spence, Chairman of the House Committee on Banking and Currency, to Chairman Martin in which the former asked to be furnished a list of the names of bank holding companies owning one bank, together with the dollar amount of the holding company's assets and the bank's assets. Congressman Spence's letter indicated that he intended to introduce a bill on the subject of bank

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holding company legislation early in the current session of the Congress.

With regard to the assets of holding company affiliates set forth in the tables accompanying the proposed reply to Congressman Spence, Governor Robertson stated that in some cases the information was for dates as far back as 1934, and that in other cases such information was not available for any date. In the circumstances, he said, the tables had been amended at his suggestion by the inclusion of footnotes opposite the totals which would tend to keep one from being misled. It would have been his preference to contact the Federal Reserve Banks with a view to seeking current data on the assets of all of the holding company affiliates concerned but time would not permit such a procedure.

During a discussion of the matter, question was raised whether it would be advisable for the Board to endeavor to obtain data for its files concerning the assets of nonbank holding company affiliates in cases where section 301 determinations had been made. One view was that, having made such a determination, the Board would not be in a position to justify a request for such information. Another view was that the obtaining of such data currently might enable the Board to ascertain whether the facts had changed in such a way as to call for reconsideration of the section 301 determination. No decision was reached on this point but there was agreement with Governor Robertson's feeling as to the desirability of making clear to Congressman Spence the limitations imposed by the lack of current information in certain cases. In the circumstances, Governor

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Balderston suggested certain revisions which might be made in the reply to Congressman Spence to clarify the Board's situation and the limitations surrounding the data being forwarded to him.

There was agreement with the approach outlined by Governor Balderston and at the conclusion of the discussion unanimous approval was given to a letter from Chairman Martin to Congressman Spence in the following form:

This refers to your letter of January 5, 1955, requesting that you be furnished a list of the names of bank holding companies which own one bank, together with the dollar amount of the holding company's assets and the bank's assets. It is understood that it is your desire that you be supplied also with the name of the bank in each case.

There is enclosed a list, compiled from the most recent available information, of 69 cases in which a holding company affiliate, as defined in section 2(c) of the Banking Act of 1933, as amended, owns or controls either the majority of outstanding shares, or more than fifty per cent of the number of shares voted at the last preceding election of directors, of only one member bank and does not control any other bank; in several cases control of the subsidiary bank exists through trusteeship for the benefit of the shareholders of the holding company affiliate bank. The Board does not have information with respect to holding companies owning only one nonmember bank.

Under the provisions of section 2(c) of the Banking Act of 1933, as amended, an organization is not deemed to be a holding company affiliate (except for the purposes of section 23A of the Federal Reserve Act) if it is determined by the Board of Governors not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling banks. Pursuant to this provision of law, the Board has made such determinations with respect to most of the companies listed in the enclosed list. When such determinations are made, the Board advises the company involved that if the facts should at any time differ from those existing at the time of the determination to such an extent as to indicate that the company might be deemed to be engaged in the business of holding bank stocks or managing or controlling banks, the

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matter should again be submitted to the Board and that the Board reserves the right to rescind such determination at any time on the basis of the then existing facts.

In a few instances involving nonbanking companies we do not have information as to the total assets of the company involved, and in some other instances the information is out-of-date, but it is included on the attached list in view of your request. Consequently, the aggregate of total assets of the companies as shown on the list does not accurately reflect the current situation and has little value, and in order to avoid misleading anyone on this point, we have inserted on the list the dates to which the asset figures of each company relate. However, we do have current information as to the assets of all of the companies which are banks, and we have segregated in the list those companies which are banks (see last three pages of list) from holding companies which are nonbanking organizations.

The names of the subsidiary banks and their total assets as at December 31, 1953, are listed opposite the names of the respective holding company affiliates.

The Board has not published a list of these cases. In most instances current information as to the holding company affiliate status has been gathered from confidential sources, and accordingly it is respectfully requested that the information contained in the accompanying list be treated as confidential.

Messrs. Sloan, Hackley, Hostrup, and Thompson then withdrew from the meeting.

Chairman Martin stated that he received a telephone call yesterday from Chairman Ralph K. Demmler of the Securities and Exchange Commission, who requested that a member of the Board's staff be named to serve as liaison with the Commission's staff in connection with the development of information pertinent to the study of the stock market announced recently by the Chairman of the Senate Banking and Currency Committee. Chairman Martin suggested that Mr. Young be named as the member of the staff who would confer with the Commission on this matter, with the understanding

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that Mr. Young might call in other members of the Board's staff on this work to such extent as might appear to be desirable.

Chairman Martin's suggestion was approved unanimously.

There ensued some discussion of the matters which might be inquired into during the stock market study by the Banking and Currency Committee, particularly the possibility of a "leakage" of credit into the stock market through bank loans reported as having been made for other purposes. The suggestion was made that it might be advisable to keep the Federal Reserve Banks informed as to questions which might be raised during the Congressional inquiry, and Chairman Martin proposed that Mr. Young work with Governor Szymczak with a view to keeping the Reserve Banks properly informed.

There was unanimous agreement with this suggestion.

At the request of the Chairman, Mr. Cherry commented on certain bills introduced in this session of the Congress concerning which requests for the Board's views had been or would be received. In two instances, he stated, replies were being drafted for the Board's consideration. With respect to a bill introduced by Senator Langer, which would provide for an increase in maximum Federal deposit insurance for any one bank depositor from \$10,000 to \$15,000, Mr. Cherry said that the request was routine and that pursuant to an arrangement with the Clerk of the Senate Banking and Currency Committee, the request would be filed without response in the absence of further developments since the Committee had no present intention

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of taking up the bill.

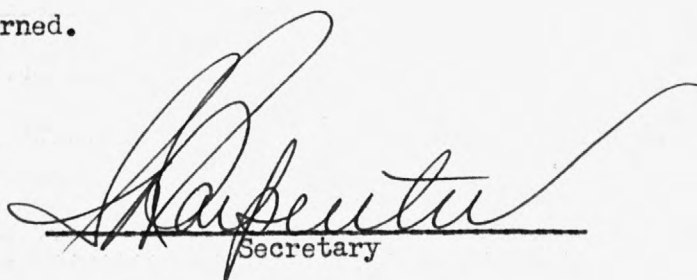
Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 17, 1955, were approved unanimously.

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

Thereafter, the Secretary was advised that pursuant to the usual arrangement, Governor Robertson reported during the executive session on the management situation at the Federal Reserve Banks of New York, Philadelphia, Chicago, Kansas City, and Dallas, his comments being based on information contained in the most recent reports of examination of those Banks and information otherwise available to the Board.

The Secretary was also advised by the Chairman that during the executive session the Board agreed that the Division of Research and Statistics would give an economic presentation in the Board Room on Monday, January 24, at 11:30 a.m. for the investment bankers' group meeting in Washington at that time to advise the Treasury on Government financing.

The meeting then adjourned.


Secretary