

2/2/55 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, February 2, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Vardaman  
Mr. Mills  
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. Hexter, Assistant 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:

Memorandum dated January 27, 1955, from Mr. Vest, General Counsel, stating that the application of Frances C. Colvin, Secretary in the Legal Division, for retirement on account of disability under the Board Plan of the Retirement System of the Federal Reserve Banks had been approved, effective February 1, 1955.

Noted.

Letter to the Board of Directors, Wilmington Trust Company, Wilmington, Delaware, reading as follows:

Pursuant to your request, submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the merger of the Industrial Trust Company, Wilmington, Delaware, with and into the Wilmington Trust Company, Wilmington, Delaware, and approves the establishment by the latter bank of branches at the present locations of the main office and three branches of the Industrial Trust Company

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(10th and Shipley Streets, 2120 Market Street, 418-20 Delaware Avenue, and 3605 Market Street, all in Wilmington, Delaware), provided the merger is carried out substantially in accordance with the agreement between the parties forwarded with your letter to the Federal Reserve Bank of Philadelphia dated January 6, 1955, and is effected within six months from the date of this letter.

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

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

Consideration is being given to suggestions that the Board and the other supervisory agencies make certain changes in the call report of condition and related instructions. For the most part the purpose of the revisions is to help reduce errors in consumer loans as reported in the sub-items of item 7 in Schedule A. Attachments hereto describe the problem of consumer loan reporting and contain a draft of all of the proposed changes in the report form and related instructions. The only change affecting the face of the report form is the deletion of memorandum item 32 regarding subordinated obligations.

The Research departments of the Federal Reserve Banks have been endeavoring to improve the monthly reports of consumer loans, and the proposed revised call report items and instructions relating to consumer loans were drafted by a subcommittee of the Committee on Current Reporting Series, a System research committee.

The Board shall appreciate your comments and suggestions on the proposals as soon as practicable. It is hoped that formal clearance may be accomplished in time to use the revised form and instructions at the mid-year 1955 call. If you feel that other changes (particularly any you deem noncontroversial) should be made, please let us know.

Copies of the attachments are being sent to Mr. Lynwood K. Elmore, Chairman of the Executive Committee of the National Association of Supervisors of State Banks, for his comments and suggestions. Copies of that part

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of the attachments pertaining to consumer loans are being sent to the two instalment credit committees of the American Bankers Association, headed by Messrs. Carl M. Flora and Philip Woollicott, with a request for their comments and suggestions.

Approved unanimously.

Letter for the signature of the Chairman to the Honorable Rowland R. Hughes, Director, Bureau of the Budget, Washington, D. C., reading as follows:

In compliance with requests received from the Senate Committee on Banking and Currency, the Board has prepared the enclosed report on the bills S. 381 and S. 383, both "To make credit more readily available for financing small business and thus to promote, foster, and develop the domestic and foreign commerce of the United States, and for other purposes".

Before transmitting this report, the Board will appreciate advice as to the relationship of the proposed legislation to the program of the President.

Approved unanimously, with the understanding that the letter to the Banking and Currency Committee would be transmitted upon receipt of advice from the Budget Bureau that it would have no objection to submission of the letter.

Letter to Mr. James S. Rockefeller, President, The National City Bank of New York, New York, New York, reading as follows:

For several years past it has been the practice of your bank, as brought out in previous correspondence with the Board of Governors, to use an armored truck in Puerto Rico for delivery of payrolls to customers' places of business and to make pickups of cash and checks for deposit in customers' accounts.

This type of operation for banks in Puerto Rico is now having the consideration of the Board of Governors, in consultation with other agencies with bank supervisory responsibilities in Puerto Rico.

Before reaching a decision in connection with the continued operation of this armored truck service by

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your bank in Puerto Rico, the Board wishes to afford you an opportunity for the submission of any views and any pertinent information that you may wish regarding the matter. It will be appreciated if you will let us have any such views or factual material as soon as practicable.

Approved unanimously.

There had been circulated to the members of the Board a draft of letter to Mr. Prochnow, Secretary of the Federal Advisory Council, proposing topics for discussion by the Council, and at the joint meeting of the Council with the Board on February 15, 1955.

At the conclusion of a discussion, during which certain changes in the draft were suggested, unanimous approval was given to the letter in the following form:

This letter is in reply to yours of January 17, 1955, with respect to the next meeting of the Federal Advisory Council.

The Board Room will be available on Monday afternoon, February 14, for the meeting of the Council, and the usual arrangements have been made for luncheon for 14 in the Blue Room on Tuesday, February 15. The items referred to in the last two paragraphs of your letter of January 17 will be sent to you at the Mayflower Hotel on the preceding Friday.

In response to your request for suggested items, the Board would like to propose the following topics for discussion by the Council and at the joint meeting with the Board on February 15:

1. The Board would like to have the comments of the members of the Council on the business and economic outlook throughout the winter and spring months and the probable demand for bank loans in that period compared with the same period in 1954.

2. In addition to the views of the Council on the general business situation, the Board is



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interested in knowing the thinking of the members of the Council with respect to the following matters:

a. The Board would like to have the views of the Council with respect to arrangements recently made by insurance companies under which they place temporarily with banks mortgages acquired by the companies.

b. To what extent is money borrowed from banks in the form of "non-purpose" loans being used to purchase stocks? What could be done by bank supervisory authorities to restrict such borrowing should it become excessive?

c. Concern continues to be expressed in some quarters as to the soundness of current developments in the residential construction and mortgage field. To what extent do the members of the Council share this concern?

d. What will be the trends in consumer credit and particularly in consumer installment credit during the next six months?

3. What have been the effects of System credit policies since the last meeting of the Council? Should these policies be changed in any way in the light of the business and economic situation in the foreseeable future?

In connection with the foregoing matter, Chairman Martin suggested that at the meeting with the Federal Advisory Council there might also be an informal discussion of proposed bank holding company legislation and any other pending legislation that might be of primary interest at that time. Governor Robertson stated that his views had changed in certain respects with regard to bank holding company legislation and that he would like to have the matter discussed by the Board before the meeting with the Council. It was understood that such a discussion would be held

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at a meeting of the Board in the near future.

At this point Mr. Hexter withdrew from the meeting and Messrs. Riefler, Assistant to the Chairman, and Fauver, Special Assistant to the Board, entered the room.

Consideration was given to a memorandum from the staff, copies of which had been sent to the members of the Board, regarding the program for the meeting with new Federal Reserve Bank and branch directors to be held on February 24, 1955. Various parts of the program were discussed and several suggestions were made for changes.

At the conclusion of the discussion, it was understood that the program would be revised to reflect the comments made at this meeting.

Chairman Martin reported having had a discussion with Mr. Virden, Chairman of the Federal Reserve Bank of Cleveland and Chairman of the Executive Committee of the Chairmen's Conference, regarding the question of holding a meeting of the Chairmen's Conference this spring. Mr. Virden, he said, stated that while the Executive Committee would be willing to call a meeting this spring, it was inclined to feel that one meeting in the fall of the year was sufficient unless the Board had specific topics that it would like to have discussed by the Chairmen. Chairman Martin said that he was inclined to agree with this view.

There was general agreement with Chairman Martin's position, although Governor Vardaman suggested that there might be legislative or

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other developments which would make a meeting of the Chairmen's Conference in the spring desirable and that an alternative approach would be to set a meeting tentatively and then cancel it if that seemed advisable.

At the conclusion of the discussion, it was understood that Chairman Martin would advise Chairman Virden that it was the consensus of the Board that one meeting of the Chairmen's Conference, in the fall of the year, would be sufficient unless there were subsequent developments which would make a meeting this spring desirable.

Mr. Cherry reported that a request had been received from Representative Dawson, Chairman of the Committee on Government Operations, for the Board's views on a bill introduced by Congressman Patman which would authorize the Comptroller General to make an audit of the Board, the Federal Reserve Banks, and the Federal Open Market Committee for the period through December 31, 1954. He also reported that a request had been received from Senator Murray, Chairman of the Committee on Interior and Insular Affairs, for a report by February 10, 1955, on a bill providing statehood for the territories of Alaska and Hawaii. He said that, as in the case of similar bills in the past, the new bill would require the designation of these territories as being a part of a Federal Reserve district and would require national banks in those places to become members of the Federal Reserve System.

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Governor Robertson referred to the discussions which preceded the adoption of the revised Regulation A, Advances and Discounts by Federal Reserve Banks, and recalled that communications had been received at the time from the Federal Reserve Bank of Chicago which indicated that that Bank would interpret the revised regulation as permitting the accommodation of banks in the Chicago area in connection with the April 1 tax date, which had occasioned heavy temporary borrowing in the past. Since, if the Board remained silent, the impression might be gained that it agreed with the Chicago Bank's interpretation, he suggested that the staff be asked to draft a letter to the Reserve Bank setting forth the Board's views.

This suggestion was approved unanimously.

Governor Robertson then reported having been advised through the American Bankers Association of a visit to Washington by officers of the Maryland Bankers Association on February 14 and 15, 1955. He said that in accordance with the program customarily followed in connection with such visits by State bankers associations, the Maryland bankers would like to visit the Board's offices on February 15 for luncheon and an informal discussion with members of the Board.

It was agreed unanimously that the officers of the Maryland Bankers Association should be invited to visit the Board's offices on February 15.



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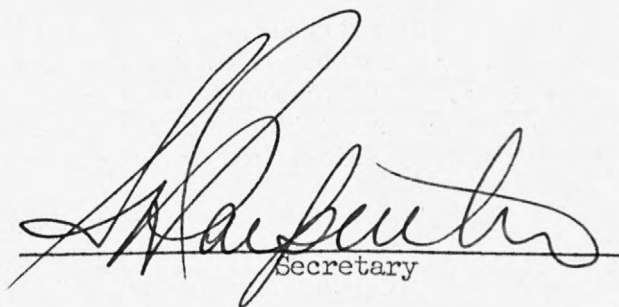
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Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 31, 1955, were approved unanimously.

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

Chairman Martin subsequently advised the Secretary that during the executive session it was agreed that he should ascertain whether Mr. Edward L. Norton, President of the Coosa River Newsprint Company, Coosa Pines, Alabama, and formerly a member of the Board of Governors, would accept appointment as Class C director of the Federal Reserve Bank of Atlanta for the unexpired portion of the term ending December 31, 1957, with the understanding that, if Mr. Norton would accept, the appointment would be made.

The meeting then adjourned.



Secretary