

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 21, 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. 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. Koch, Assistant Director, Division of Research and Statistics
Mr. Simpson, Acting Chief, Business Finance and Capital Markets Section, Division of Research and Statistics
Mr. Pawley, Economist, Division of Research and Statistics
Miss Stockwell, Economist, Division of Research and Statistics

Discussion of the factors which should be taken into account by the Board in determining its monetary and credit policies was resumed at this meeting with a review of problems relating to the use of credit for the purpose of purchasing and carrying securities. Following statements by Mr. Simpson, Miss Stockwell, and Mr. Pawley on long-run and recent trends in stock market prices and the use of credit in the market, including developments with respect to margin accounts, there was a general discussion based on these data. Also, in response to questions

2/21/55

-2-

by members of the Board, Mr. Solomon commented on changes, other than increases in margin requirements, which might be made in the Board's regulations with a view to restricting the flow of credit for the purchasing and carrying of securities.

Messrs. Simpson and Pawley and Miss Stockwell then withdrew from the meeting.

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 February 4, 1955, from Mr. Shay, Assistant Counsel, recommending, for reasons stated, that the regulations relating to the Board's employment security program, as amended February 24, 1954, be further amended in the following respects, effective immediately:

(1) By deleting the period at the end of subsection (b) of section 5 and adding thereto the following:

"Provided however, That pending determination of suspension in cases in which ameliorating circumstances are present and the derogatory information disclosed is not of the character set forth in subdivisions (2) through (8) of subsection (b) of section 3 of these regulations, an employee holding a sensitive position may be transferred temporarily by the Board of Governors to a non-sensitive position in which the interests of the national security cannot be adversely affected by the employee."

(2) By changing paragraph (iv), subdivision (1), subsection (b) of section 3 to read as follows:

"(iv) Any illness, including any mental condition, of a nature which in the opinion of competent medical authority may cause significant defect in the judgment or reliability of the employee, with due regard to the transient or continuing effect of the illness and the medical findings in such case."

Approved unanimously.

2/21/55

-3-

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

In accordance with the request contained in your letter of February 14, 1955, the Board approves the appointment of William Francis Lampmann as an assistant examiner for the Federal Reserve Bank of Philadelphia. Please advise as to the date upon which the appointment is made effective.

It has been noted that Mr. Lampmann is indebted to the Shenandoah Valley National Bank, Winchester, Virginia, in the amount of \$425.00 and that the loan is on a monthly payment basis.

Approved unanimously.

Letter to the First Bank of Biloxi, Biloxi, Mississippi, reading as follows:

The Board of Governors of the Federal Reserve System has given consideration to the application for permission to exercise fiduciary powers made by you on behalf of the First National Bank of Biloxi, Biloxi, Mississippi, the national bank into which the First Bank of Biloxi, Biloxi, Mississippi, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Mississippi. The exercise of all such rights shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

After the conversion of the First Bank of Biloxi into the First National Bank of Biloxi becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Atlanta for transmittal to the Board for its records. When a copy of such

2/21/55

-4-

resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded.

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

The following requests for travel authorization were presented:

Mr. Sloan, Director, Division of Examinations. To travel to Asbury Park, New Jersey, on March 2 and 3, 1955, to speak before the Director-Management Conference of the New Jersey Bankers Association.

Mr. Horbett, Assistant Director, Division of Bank Operations. To travel to New York, New York, on February 24 and 25, 1955, to examine existing techniques for handling Treasury balances and their effects on bank reserves, in connection with the current Treasury-Federal Reserve study of the subject.

Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics. To travel to New York, New York, on February 4, 1955, to attend meetings of the American Telephone and Telegraph Company's Economic Luncheon Group and the Executive Committee of the System Current Business Developments Committee.

Mr. Koch, Assistant Director, Division of Research and Statistics. To travel to Columbia, South Carolina, on February 21 and 22, 1955, to address the Young Bankers Conference.

Approved unanimously.

Mr. Carpenter referred to the recent appointment of Mr. Robert C. Sprague, Chairman of the Board and Treasurer of the Sprague Electric Company, North Adams, Massachusetts, as a Class C director of the Federal Reserve Bank of Boston for the unexpired portion of the term ending December 31, 1957, and his designation as Deputy Chairman of the Bank for the remainder of the year 1955. He reported that in a letter dated February 19, Mr. Sprague advised that he was serving as a consultant to the Preparedness Committee of the Senate Armed Services Committee on

2/21/55

-5-

continental defense and as a consultant to the National Security Council, also in connection with continental defenses, and that Mr. Sprague raised the question whether these would be considered political or public offices within the meaning of the Board's resolution of December 23, 1915. Mr. Sprague indicated that if the assignments were not so considered, he was prepared to resign as director of a national bank and to sell the shares of stock which he held in order to qualify as a Class C director.

After discussing the two positions referred to by Mr. Sprague, Mr. Carpenter said it was the opinion of the Legal Division that they would not be political or public offices within the meaning of the Board's resolution.

There was unanimous agreement with the position taken by the Legal Division and it was understood that Mr. Sprague would be advised of the Board's views by telegram.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 18, 1955, were approved unanimously.

The meeting then adjourned.


Secretary