

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 22, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Balderston, Vice Chairman
 Mr. Szymczak
 Mr. Vardaman
 Mr. Mills
 Mr. Robertson
 Mr. Shepardson
 Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Vest, General Counsel
 Mr. Johnson, Controller, and Director,
 Division of Personnel Administration

The following matters, which had been circulated to 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 that the basic annual salaries of the following employees be increased in the amounts indicated, effective April 24, 1955:

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Research and Statistics</u>			
Helene F. Baur, Clerk		\$4,410	\$4,535
Katharyne P. Reil, Economist		5,935	6,060
<u>International Finance</u>			
Nancy J. Smith Statistical Assistant		4,330	4,455

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Salary increases, effective April 24, 1955 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
<u>Examinations</u>			
Francis D. Dargo, Assistant Federal Reserve Examiner		\$3,535	\$3,795
John N. Lyon, Assistant Federal Reserve Examiner		4,995	5,120
<u>Administrative Services</u>			
Harry F. Allen, Telegraph Operator		3,660	3,785
Margaret C. Caldow, Stenographer		3,495	3,575
Valeria Faina, Charwoman		2,630	2,700
Bruce L. Moffett, Operator (Offset Press)		5,345	5,616
<u>Office of the Controller</u>			
Benjamin R. Reading, Accounting Clerk		4,420	4,545

Approved unanimously.

Memorandum dated April 14, 1955, from Mr. Young, Director, Division of Research and Statistics, recommending that Edward P. Snyder, Economist in that Division, be authorized to attend the computing school at IBM's Watson Scientific Computing Laboratory in New York City during the period June 6-24, 1955. The memorandum stated that the only expenses to be paid by the Board would be Mr. Snyder's travel and per diem, since the course is offered without charge.

Approved unanimously.

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Letter to Mr. Diercks, Vice President, Federal Reserve Bank of Chicago, reading as follows:

In accordance with the request contained in your letter of April 13, 1955, the Board approves the designation of Kenneth E. Arndt as a special assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the designation is made effective.

Approved unanimously.

Letter to the Board of Directors, Ramapo Trust Company, Spring Valley, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment of a branch by the Ramapo Trust Company, Spring Valley, New York, on the north side of New York Route 59, approximately 400 feet east from the intersection of New York Route 306, in the Village of Monsey, Town of Ramapo, New York, provided (1) that prior to the establishment of the branch the trust company's capital funds shall be increased by not less than \$200,000 through the sale of additional capital stock and (2) the branch is established within six months from the date of this letter.

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

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

Reference is made to your letter of April 12, 1955, advising of the proposal by the Tradesmens Bank and Trust Company, Philadelphia, Pennsylvania, to consolidate two branch offices located at 5th and Chestnut Streets and 320 Chestnut Street, Philadelphia, Pennsylvania, and subsequently change the location of the surviving branch to the northeast corner of 4th and Chestnut Streets, Philadelphia, Pennsylvania.

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It appears that this change would constitute merely an elimination of one branch and a relocation of the surviving branch, which would be in the immediate neighborhood of the two existing branches, without affecting the nature of its business or customers served, and, therefore, the approval of the Board of Governors is unnecessary. Please advise the bank accordingly.

Approved unanimously.

Telegram to Mr. Millard, Vice President, Federal Reserve Bank of San Francisco, reading as follows:

Reurlet April 15, 1955, Board of Governors extends to June 8, 1955, time within which Antelope Valley Bank, Lancaster, California, may accomplish membership in Federal Reserve System.

Approved unanimously.

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

Reference is made to your letter of April 5, 1955, and enclosure advising of the proposal of the Central Valley Bank of California, Richmond, California, to remove its Civic Center branch from 2564 Macdonald Avenue to 2705 Macdonald Avenue, a distance of only three-quarters of a block.

It appears that this proposal would constitute a mere relocation of an existing branch in the immediate neighborhood without affecting the nature of its business or customers served and, accordingly, we concur in your view that the approval of the Board of Governors is unnecessary.

Approved unanimously.

Letter to the Board of Directors, American Trust Company, San Francisco, California, reading as follows:

The Board of Governors approves the establishment of a branch by the American Trust Company, San Francisco, California, on California Avenue between Cornell and Princeton Streets, Palo Alto, California, provided (a) approval of the Superintendent of Banks of the State of California is

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obtained; and (b) the branch is established within one year from date of this letter.

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

Letter to the Board of Directors, California Bank, Los Angeles, California, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors of the Federal Reserve System approves the establishment of a branch by California Bank, Los Angeles, California, at the corner of Third and La Cienega Boulevard, Los Angeles, provided the existing branch at 175 North Le Brea Avenue, Los Angeles, is simultaneously discontinued and the change in location is accomplished within six months from the date of this letter.

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

There were presented telegrams to the Federal Reserve Banks of New York, Atlanta, and St. Louis approving the establishment without change by the Federal Reserve Bank of St. Louis on April 18, and by the Federal Reserve Banks of New York and Atlanta on April 21, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

Reference was made to a memorandum from Mr. Johnson dated April 6, 1955, which stated that a request for several copies of the Board's security regulations had been received from the Bureau of National

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Affairs, Inc., Washington, D. C., in connection with a compilation of industrial, port, and employee security regulations of the various Federal Government departments and agencies which the Bureau was preparing to publish. The memorandum also stated that a spokesman for the Department of Justice had indicated that the distribution of security regulations was entirely within the discretion of the individual agency; that it was understood to be the Department's own policy to furnish copies of its regulations to responsible persons or organizations; and that at a recent meeting of personnel security officers of Government agencies it was the consensus that there did not appear to be any reason why copies of security regulations should not be distributed at the discretion of the agency concerned. The memorandum recommended, therefore, that the Board's Personnel Security Officer be authorized to furnish copies of the Board's security regulations to organizations or individuals that in his opinion are legitimately entitled to them.

When the memorandum was in circulation, Governor Vardaman indicated that he had a question with respect to it. He now stated that his question related to the policy of the Board in distributing its security regulations.

Following an explanation of the Board's current policy, a statement that the Board's regulations follow almost the exact wording of the sample regulations approved by the Department of Justice, and a statement that certain Government agencies were understood to have published their

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regulations in the Federal Register, Governor Vardaman said that he would have no objection to approval of the recommendation made in Mr. Johnson's memorandum.

Thereupon, the recommendation was approved unanimously.

There had been sent to the members of the Board copies of a draft of letter to Mr. Prochnow, Secretary of the Federal Advisory Council, suggesting topics for discussion by the Council at its meeting to be held May 15-17, 1955, and at the joint meeting of the Council and the Board on May 17. There had also been sent to the members of the Board copies of a letter from Mr. Prochnow dated April 19, 1955, which stated that the following items had been submitted for the agenda for the meeting: (1) consideration of salaries of the Chairman and members of the Board of Governors; and (2) consideration of Bill H. R. 2643, which would direct the Comptroller General to make an audit of the Board of Governors, the Federal Open Market Committee, and the Federal Reserve Banks.

Certain changes in the wording of the topics proposed in the letter to the Secretary of the Council were suggested, and unanimous approval then was given to a letter to Mr. Prochnow proposing topics as follows:

1. The Board would like to have the comments of the members of the Council on the business and economic outlook throughout the spring and summer of the current year, and it would appreciate having the Council's views as to the probable demand for bank loans in that period compared with demand during the corresponding period of 1954.

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2. In addition to the views of the Council on the general business situation, the Board would be interested in having the Council's views as to the effects of System credit policies since the last meeting of the Council and whether these policies should be changed in any way in the light of the business and economic situation during the near term.

3. The Board would appreciate receiving the Council's views as to whether a change in the substitution rule under Regulations T and U, to require that proceeds of sales in under-margined accounts be applied to reduce the debit balance, would be desirable or undesirable. A memorandum with respect to this subject will be sent to you within the next few days.

4. The present policy of the Board is to make a determination with respect to whether there is a payment of interest on demand deposits under Regulation Q only after development of all pertinent facts through an examination. The Board would appreciate having the Council's views as to whether various practices being followed by banks result in a substantial non-compliance with the intent of the law or the regulation, and what, if any, changes in Board policy or in the law might be desirable? A memorandum with respect to this subject will be sent to you as soon as possible.

At this point Mr. Cherry, Legislative Counsel, entered the room.

With reference to the audit of the Federal Reserve System requested by the Chairman of the House Committee on Government Operations, Chairman Martin stated that, in accordance with the understanding at the meeting of the Board yesterday, he talked by telephone with Mr. Virden, Chairman of the Chairmen's Conference, and Mr. Young, Chairman of the Presidents' Conference, suggested that they take no action for the moment, advised them that copies of the correspondence between the Board and the Comptroller General would be sent to them, and asked for their judgment as to whether copies of the correspondence also should be sent to the

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Chairmen and Presidents of all of the Federal Reserve Banks at this time.

Governor Robertson said it was his feeling that a letter should be sent by the Board to Chairman Dawson, of the House Committee on Government Operations, very soon. He then read a draft incorporating various points which he thought it might be desirable to cover in such a communication.

The other members of the Board agreed that a communication should be sent to Mr. Dawson, but there was some difference of opinion as to what it would be appropriate to include in the letter. The discussion also touched on the current program of System audits and examinations. Chairman Martin expressed the opinion that the program now followed, including examinations of the Federal Reserve Banks by the Board's field examining staff, observation and comment on the adequacy of one of those examinations each year by an outside public accounting firm, audit of the Board's accounts by an outside firm of public accountants, and readiness to make available all of the reports of audit, examination, and comment to the members of the Congress for inspection, constituted a constructive program. The other members of the Board indicated that they agreed with Chairman Martin's statement.

At the conclusion of the discussion, Chairman Martin suggested that the following letter be sent over his signature to Chairman Dawson:

Mr. Campbell, the Comptroller General of the United States, has discussed with the Board and has sent to us a copy of your letter to him under date of April 13, relating

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to an audit of the Board, the Federal Open Market Committee, and the Federal Reserve Banks. A copy of Mr. Campbell's letter of April 18 and the Board's reply of April 20 are enclosed.

As our reply indicates, this matter creates certain problems in the Federal Reserve System which we are working on at the present time. I would like to discuss the matter with you at an early date in order to determine what would be the best way to proceed.

I plan to be away next week and will get in touch with you shortly after my return.

There was unanimous agreement that the letter should be sent and that a copy should be transmitted to the Comptroller General.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 21, 1955, were approved unanimously.

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

The Secretary subsequently was informed by the Chairman that during the executive session the following action was taken:

By unanimous vote, the Board approved the following amended supplements to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, effective April 23, 1955, with the understanding that (1) the action would be released to the press at 6:30 p.m., E.S.T., today in a statement in the form set forth below, (2) that the amendments would be sent by wire to the Federal Reserve Banks with the request that they print and distribute the amendments in

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the usual course to interested parties in their districts, and (3) that a notice of the action for publication in the Federal Register would contain the paragraph also set forth below:

Amended Supplement to Regulation T

Maximum loan value for general accounts. - The maximum loan value of a registered security (other than an exempted security) in a general account, subject to section 3 of Regulation T, shall be 30 per cent of its current market value.

Margin required for short sales in general accounts. - The amount to be included in the adjusted debit balance of a general account, pursuant to section 3(d)(3) of Regulation T, as margin required for short sales of securities (other than exempted securities) shall be 70 per cent of the current market value of each such security.

Amended Supplement to Regulation U

For the purpose of section 1 of Regulation U, the maximum loan value of any stock, whether or not registered on a national securities exchange, shall be 30 per cent of its current market value, as determined by any reasonable method.

Statement for the Press

The Board of Governors of the Federal Reserve System today amended Regulations T and U, relating respectively to margin requirements of brokers and banks, by increasing margin requirements from 60 per cent to 70 per cent, effective April 23, 1955. The increased requirements apply to both purchases and short sales. No other change was made in the Regulations.

Paragraph in Notice for Publication in the Federal Register

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

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Prior to this meeting Governor Szymczak had recommended the adoption of a more restrictive substitution and withdrawal rule which would require that proceeds of sales in under-margined accounts be applied to reduce the debit balance. During the executive session he again stated that he would prefer first a tightening of the withdrawal privilege of under-margined accounts, to be followed later by an increase in margin requirements. His reason for this position was that the application of a tighter withdrawal privilege would make an increase in margin requirements more effective. He said, however, that he saw no reason for voting against an increase in margin requirements to 70 per cent and, therefore, had voted for the above action.

The Secretary also was informed by the Chairman that during the executive session the following additional actions were taken:

The following letter, prepared for the signature of the Chairman and proposed to be sent to Mr. Coleman, Chairman of the Federal Reserve Bank of Chicago, was read by the Chairman and was approved unanimously:

The Board has become increasingly concerned about the fact that the Federal Reserve Bank of Chicago has no negroes presently employed and apparently has been following a policy which operates to preclude the employment of negro applicants.

If, in fact, such a policy exists, it is neither defensible nor in line with sound personnel policies. Therefore, the Board would appreciate a review of this situation by you and the other Directors at your next meeting, with the view to eliminating any grounds that could possibly justify a charge of discrimination in the employment practices of the Federal Reserve Bank of Chicago.

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In setting forth this frank expression of concern, the Board feels very deeply that any valid charges of discrimination against the Federal Reserve Bank of Chicago would reflect upon the entire Federal Reserve System.

The Board would appreciate being informed of the action of your board of directors in this matter.

Pursuant to the request contained in a memorandum from Mr. Young, Director, Division of Research and Statistics, to Chairman Martin dated April 13, 1955, Mr. Young was authorized to accept an invitation from the Committee for Economic Development to serve as a Research Advisory Board consultant to a subcommittee set up to study the preparation of a policy statement on The Definition of the Federal Budget.

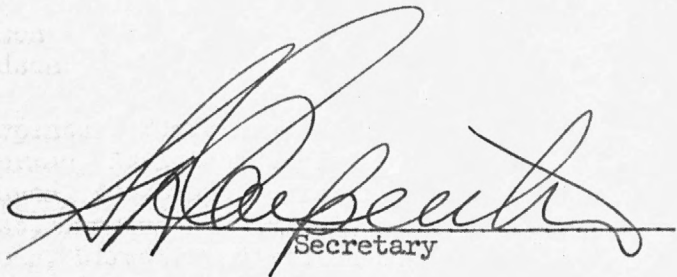
Pursuant to the recommendation contained in a second memorandum from Mr. Young to Chairman Martin dated April 20, 1955, Mr. Garfield, Adviser on Economic Research in the Division of Research and Statistics, was authorized to accept nomination as a candidate for the office of Vice President of the American Statistical Association for the period 1956-58.

Following a statement by Governor Robertson outlining the program proposed for the activation of the Board's emergency relocation site during the period May 1 to June 17, 1955, inclusive, the Board approved the program, together with the expense and travel necessary to carry out the program (including travel of members of the official staff of the Board without the specific approval normally required by section 8 of the Board's travel regulations). In taking this action, it was understood that the travel and other expense involved would not be charged to the budgets of the respective divisions of the Board's organization but would

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be kept by the Office of the Controller
in a separate account.

The meeting then adjourned.


Secretary

There were presented to the Board the following reports: Director, Division of Personnel Administration; Chief Director, Division of Personnel Administration; travel to Chicago, Illinois, during the week of March 29, 1955; attend the Conference of Personnel Administrators; Approved membership; Reports had been received from the Committee for reports, to be in the form of a report this week, on file 1107, 1108, 1109, 1110, 1111, 1112, 1113, 1114, 1115, 1116, 1117, 1118, 1119, 1120, 1121, 1122, 1123, 1124, 1125, 1126, 1127, 1128, 1129, 1130, 1131, 1132, 1133, 1134, 1135, 1136, 1137, 1138, 1139, 1140, 1141, 1142, 1143, 1144, 1145, 1146, 1147, 1148, 1149, 1150, 1151, 1152, 1153, 1154, 1155, 1156, 1157, 1158, 1159, 1160, 1161, 1162, 1163, 1164, 1165, 1166, 1167, 1168, 1169, 1170, 1171, 1172, 1173, 1174, 1175, 1176, 1177, 1178, 1179, 1180, 1181, 1182, 1183, 1184, 1185, 1186, 1187, 1188, 1189, 1190, 1191, 1192, 1193, 1194, 1195, 1196, 1197, 1198, 1199, 1200. Various suggestions for a draft report was understood that revised draft would be prepared at a meeting of the Board this afternoon.