

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 20, 1955. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman  
 Mr. Balderston, Vice Chairman  
 Mr. Szymczak  
 Mr. Mills  
 Mr. Robertson  
 Mr. Shepardson

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. Leonard, Director, Division of Bank Operations  
 Mr. Bethea, Director, Division of Administrative Services  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Solomon, Assistant General Counsel  
 Mr. Horbett, Assistant Director, Division of Bank Operations  
 Mr. Garfield, Adviser on Economic Research, Division of Research and Statistics  
 Mr. Hackley, Assistant General Counsel  
 Mr. Cherry, Legislative Counsel  
 Mr. Schwartz, Economist, Division of Research and Statistics  
 Mr. Shay, Assistant Counsel

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:

Memorandum dated May 9, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that Robert I. Stewart, Messenger

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in that Division, be permitted to accept employment periodically as a waiter at Hotel 2400, Washington, D. C., outside of his regular working hours at the Board.

Approved unanimously.

Memorandum dated May 12, 1955, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Frances M. Callahan, Assistant Manager, Cafeteria, in that Division, be accepted effective May 12, 1955, rather than May 31, 1955, as previously approved by the Board.

Approved unanimously.

Letter to Mr. Harris, Federal Reserve Agent, Federal Reserve Bank of Atlanta, reading as follows:

In accordance with the request contained in your letter of May 7, 1955, the Board of Governors approves the appointment of Mr. Allford J. Shaw as Federal Reserve Agent's Representative, Jacksonville Branch, to succeed Miss Shirley E. Winterburn, who has resigned.

This approval is given with the understanding that Mr. Shaw will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Jacksonville Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

Mr. Shaw should execute the usual oath of office which should be forwarded to the Board of Governors, together with advice with respect to the effective date of his appointment.

Approved unanimously.

Letter to Mr. Alexander, Federal Reserve Agent, Federal Reserve Bank of St. Louis, reading as follows:

In accordance with the request contained in your letter of May 9, 1955, the Board of Governors approves the appointment of Mr. Leslie H. Fowler as Federal Reserve Agent's

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Representative, Memphis Branch, to succeed Mr. Frank Roberts.

This approval is given with the understanding that Mr. Fowler will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Federal Reserve Agent's Representative he may, with the approval of the Federal Reserve Agent, or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Memphis Branch, perform such work for the Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative.

It is noted from your letter that the Board of Governors will be advised of the effective date of Mr. Fowler's appointment and will be furnished a copy of his oath of office at the time he assumes his duties.

Approved unanimously.

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

In accordance with the requests contained in your letters of May 11, 1955, the Board approves the appointments of James F. Ahlf and James T. Morrice as examiners for the Federal Reserve Bank of San Francisco.

Approved unanimously.

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

Reference is made to your letter dated April 21, 1955, with respect to the informal advice received from Messrs. Bayard F. Pope and Edward Gruen, Chairman of the Executive Committee and Vice President, respectively, of Marine Midland Corporation, to the effect that Marine Midland Corporation proposes to acquire the controlling stock of The Jamaica National Bank of New York, New York, New York, in exchange for its own stock.

It is evident from information submitted with your letter that after acquiring control of The Jamaica National Bank of New York, it will be merged with The Marine Midland Trust Company of New York, New York, New York, and the present offices

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of the national bank continued as branches of the trust company.

On the basis of the preliminary information submitted to it, the Board of Governors has no objection to the transaction as proposed but, of course, will base its final action on full information to be furnished with the application for a limited voting permit and permission to establish the proposed branches. It is understood that the transaction will not require approval of the Board pursuant to the provisions of section 18(c) of the Federal Deposit Insurance Act.

Approved unanimously.

Letter to the Board of Directors, Security Bank, Lincoln Park, Michigan, reading as follows:

This refers to your request for permission, under applicable provisions of your condition of membership numbered 1, to exercise statutory fiduciary powers but limited, however, to appointments as escrow agent and fiscal agent. It is understood that application is being made to the Michigan State Banking Department for authority to act in these fiduciary capacities.

Following consideration of the information submitted, the Board of Governors of the Federal Reserve System grants permission to the Security Bank, Lincoln Park, Michigan, to act as escrow agent and fiscal agent with the understanding that your bank will not accept fiduciary appointments of other kinds without first obtaining the permission of the Board.

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

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, and San Francisco approving the establishment without change by the Federal Reserve Bank of St. Louis on May 16, by the Federal Reserve Bank of San Francisco on May 18, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on May 19, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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In accordance with the understanding at the meeting of the Board yesterday, there had been prepared a revised draft of reply to the House Committee on the Judiciary regarding Bill H. R. 5948, having to do with bank mergers and consolidations. Copies of the revised draft had been sent to the members of the Board with a memorandum from Mr. Hackley dated May 19, 1955.

Mr. Hackley stated that subsequent to the distribution of the revised draft, two new paragraphs had been prepared in the light of additional suggestions which were made. The first paragraph, reflecting a suggestion by Governor Shepardson, was intended to clarify the point that the Federal bank supervisory agencies now take into account all pertinent factors which may have a bearing on the public interest, including the competitive effect, in considering various transactions, among them bank mergers and consolidations, which require advance approval under present law.

Mr. Hackley then read a draft of the two new paragraphs and stated that copies would be available for the members of the Board shortly. In the circumstances, it was understood that the matter would be discussed further when copies of the draft paragraphs were available.

Reference was made to the following draft of telegram to Mr. Powell, President of the Federal Reserve Bank of Minneapolis, which had been circulated to the members of the Board prior to this meeting along with a

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memorandum from Mr. Leonard dated May 16, 1955, and other papers pertinent to the matter:

Reurlet May 13 re building program for head office, Board approves acceptance of low bids, aggregating \$4,660,695, as recommended by the Board of Directors, and authorizes expenditure of approximately \$5,105,000 for the program, which amount includes architect's fees and allowance of \$200,000 for contingencies.

Mr. Leonard's memorandum pointed out that the low bids were approximately \$318,000 less than the estimate made by the Reserve Bank as of February 1, 1955, and that the total cost of the addition to and alterations of the head office building, including architect's fees and an allowance of \$200,000 for contingencies, was approximately \$5,105,000, as compared with the February estimate of \$5,437,000. The memorandum also stated that the program originally submitted by the Reserve Bank contemplated eight separate contracts, with the general contractor having no responsibility for the work of the other contractors; that the procedure was modified after the Board raised a question concerning it; and that under the procedure followed, bids for all eight contracts were submitted directly to the Reserve Bank, but with the provision (except in the case of the elevator contract, which would be a direct contract between the elevator company and the Bank) that the successful bidders would enter into a contract with the general contractor at their bid prices and that the general contractor would assume the responsibility for the subcontracts.

Mr. Leonard stated that on the basis of the bids the estimated cost, inclusive of architect's fees, would be approximately \$25.40 per square foot

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of space. He said that in many ways it was unfair to compare the cost of an addition to an existing structure with the expenditure for a new building and that the cost per square foot of space at Minneapolis would compare favorably with the cost incident to the addition to the Baltimore Branch building, a somewhat similar project. He felt that on the basis of the information furnished the bids were satisfactory.

In response to inquiries by Governor Balderston having to do with the fact that the bidding was limited to local firms, Mr. Leonard said that the Reserve Bank was completely satisfied as to the standing and competency of the low bidders and that there seemed no reason to doubt that the bids were on a fully competitive basis.

Thereupon, the telegram to President Powell was approved unanimously.

Prior to this meeting there had been sent to the members of the Board copies of a memorandum dated May 13, 1955, from the Division of Personnel Administration submitting three alternative drafts of a letter to the Bureau of the Budget regarding the Report on Personnel and Civil Service submitted by the Commission on Organization of the Executive Branch of the Government (the Hoover Commission). One of the drafts would offer comments with respect to certain of the Commission's recommendations, while the other two drafts would offer no specific comments on the basis that the Commission's recommendations appeared to be applicable principally to Government agencies whose personnel are covered by civil service.

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Mr. Johnson stated that he was inclined to favor the longer draft, one reason being that it would be in line with letters written by the Board concerning certain other reports of the Hoover Commission which commented on recommendations applicable to the Government in general. He felt that to refrain from commenting with respect to any of the recommendations might raise questions unnecessarily and that the views stated in the longer draft were consistent with sound personnel policies.

Governor Robertson expressed preference for a brief reply which would state in an adequate way the reasons why the Board did not consider it appropriate to offer views on the Hoover Commission's recommendations. He suggested that if comments were to be made on any of the recommendations, the reply perhaps should go further and present views on each of the recommendations.

There followed a discussion of the alternative drafts and how they might be modified in the light of the views expressed by Governor Robertson and Mr. Johnson. No conclusions were reached, however, and it was understood that the matter would be discussed again at another meeting after the members of the Board had had an opportunity to review the Commission's recommendations and to consider further whether comments should be made with respect to certain of the individual recommendations.

Reference then was made to a draft of letter for the signature of Chairman Martin to the Honorable Rowland R. Hughes, Director, Bureau of the Budget, concerning the Hoover Commission's Report on Surplus Property.

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When the draft was in circulation to the members of the Board, Governor Mills suggested a revision of the final paragraph so that the letter would read as follows:

Pursuant to the request contained in your Bulletin 55-5 dated March 4, 1955, addressed to the Heads of Executive Departments and Establishments, a review has been made of the report on "Surplus Property" submitted to the Congress by the Commission on Organization of the Executive Branch of the Government with regard to its application to the Board of Governors of the Federal Reserve System.

The reasons for the recommendations do not appear to be applicable to the Board which has an effective personal property utilization, supply and equipment inventory, and disposal program. Quantities of stock on hand are critically reviewed from time to time and standard items are limited to a six-month supply. Quarterly stock inventories are taken and an annual physical inventory of all furniture and equipment is made. Excess property, of all divisions, is screened before any equipment or property is procured. Property beyond repair and obsolete and which can no longer be utilized is disposed of by sale on a sealed bid basis. Such sales have involved negligible amounts and in the past ten years the annual proceeds have averaged less than \$285.00.

In view of the adequacy of existing practices and the negligible amounts of personal property disposed of, and the fact that no real property is owned, other than the building and site now occupied, it is believed that the procedures contemplated by the recommendations in the report are not pertinent to the operations of the Board of Governors.

Following a discussion, the letter was approved unanimously in the form set forth above.

Reference then was made to a memorandum from Mr. Shay dated May 16, 1955, which had been circulated to the members of the Board, discussing attached correspondence from the Federal Reserve Bank of Chicago concerning the applicability to State or Federal credit unions of Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a

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National Securities Exchange. The correspondence related particularly to a question raised by the Deputy Commissioner of the Michigan Banking Department, who asserted that loans by credit unions for the purpose of purchasing registered stocks and secured by stocks were increasing substantially and inquired whether a credit union was a bank within the meaning of Regulation U. An attached draft of reply to the Chicago Reserve Bank, prepared in accordance with the views expressed by the Board in the past in similar cases, would take the position that the definition of "bank" in the present regulation should not be regarded as including Federal or State credit unions. The memorandum pointed out, however, that the Board, if it so desired, could make Regulation U applicable to either Federal or State credit unions and also to loan companies and other similar institutions. The draft of reply invited the submission by the Deputy Commissioner of any information with respect to the extent to which credit unions might be making loans for the purpose of purchasing registered stocks and secured by stocks, and Mr. Shay's memorandum brought out that such information might suggest the desirability of giving consideration to an amendment to Regulation U.

In a discussion of the matter, Governor Robertson said it was difficult for him to believe that credit unions were making loans of the kind mentioned in substantial enough volume to warrant any action on the part of the Board to expand the coverage of Regulation U. He felt that the

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proposed letter was appropriate, that no study need be initiated by the Board, but that the matter might be taken up informally with the Bureau of Federal Credit Unions to ascertain whether that Bureau had any information as to the volume of such loans by credit unions.

Thereupon, unanimous approval was given to a letter to Mr. Hodge, General Counsel, Federal Reserve Bank of Chicago, reading as follows:

This is in further reference to your letter of April 20, 1955, and its enclosures, concerning the question raised by Mr. Delmar C. Nagel, Deputy Commissioner of the Michigan Banking Department, as to whether Regulation U applies to State or Federal credit unions.

The above correspondence states that Mr. Nagel, whose department supervises credit unions organized under Michigan law, has pointed out that loans by credit unions for the purpose of purchasing registered stocks and secured by stocks are increasing substantially. Such loans, if made by a "bank" as defined by the regulation, of course would be subject to the regulation. Therefore, Mr. Nagel's question is whether a State or Federal credit union is a "bank" within the meaning of the regulation.

Subject to an exception not here relevant, section 3(k) of the regulation adopts as the definition of "bank" under the regulation, the definition of that term in section 3(a)(6) of the Securities Exchange Act of 1934 which reads as follows:

"The term 'bank' means (A) a banking institution organized under the laws of the United States, (B) a member bank of the Federal Reserve System, (C) any other banking institution, whether incorporated or not, doing business under the laws of any State or of the United States, a substantial portion of the business of which consists of receiving deposits or exercising fiduciary powers similar to those permitted to national banks under section 11(k) of the Federal Reserve Act, as amended, and which is supervised and examined by State or Federal authority having supervision over banks, and which is not operated for the purpose of evading the provisions of this title, and

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(D) a receiver, conservator, or other liquidating agent of any institution or firm included in clauses (A), (B), or (C) of this paragraph."

The question whether a credit union organized under the laws of Michigan was a "bank" for the purposes of Regulation U was the subject of the Board's reply of April 1, 1947, to the Detroit Edison Employees Credit Union, Detroit, Michigan, copies of which were sent to your Bank. In that case, the credit union, whose members were employees of the Detroit Edison Company, proposed to make loans to its members to enable them to purchase registered stock of the Company which would be held by the credit union as collateral. Although it appeared that the credit union had authority under the Michigan statute to receive the savings of its members "as deposits," as well as "payment on shares," the Board expressed the view that, on the basis of the facts presented, the credit union did not appear to be the type of person to whom Regulation U was intended to apply, and that the credit union should not be regarded as subject to the regulation. The Board indicated, however, that if persons not now subject to the regulation should extend substantial amounts of credit for purchasing registered stock, it naturally might become necessary to consider amending the regulation so as to place such persons on a basis comparable with banks.

In its interpretation published at 1953 Federal Reserve Bulletin 835, the Board expressed the view that a Federal credit union which proposed to undertake an activity much the same as that involved in the Detroit Edison case, did not appear to be the type of institution to which Regulation U applied. Federal credit unions, of course, are not authorized by the Federal statute under which they are organized to accept deposits, but only to receive from its members "payments on shares."

It is true that in some States, such as Michigan, credit unions may be authorized to accept deposits and may be supervised and examined by the State banking department. However, in many respects credit unions clearly lack many of the characteristics of the ordinary "banking institution" of the kind contemplated by the definition quoted above. Of course, under the authority granted in section 7(d) of the Securities Exchange Act, the Board could adopt a broader definition of "bank," or even extend Regulation U to cover persons and institutions which clearly would not be regarded as "banks" under

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any of the more usual definitions of that term. Thus, the coverage of the regulation might be extended to include, for example, any loan company or any similar institution, as well as any credit union, whether or not supervised by a bank supervisory agency or authorized to receive funds on deposit. The Board does not feel that it should depart at this time from the views previously expressed by it with respect to the interpretation of the present regulation, as indicated above; and, so far, the Board has not seen fit to amend the regulation to broaden its coverage.

In connection with its authority under the statute to extend the coverage of the regulation, the Board would be glad to receive from Mr. Nagel any information that he might wish to supply concerning the extent to which credit unions may be making loans for the purpose of purchasing or carrying registered stocks and secured by stocks. The Board would also appreciate any information in this connection that might have come to the attention of your Bank.

Discussion then reverted to the reply to be made to the House Committee on the Judiciary on Bill H. R. 5948, and there were distributed to the members of the Board copies of the two paragraphs to which Mr. Hackley referred earlier in the meeting.

Before taking up the content of the letter, the Board considered whether the reply should be submitted to the Bureau of the Budget for comment before being sent to the House Committee on the Judiciary. It was the consensus that such a procedure would be appropriate, particularly since the subject of the proposed legislation was one affecting a number of Government agencies. This procedure, it was noted, would not preclude the Board from presenting whatever views it desired to the House Committee.

Regarding the report which should be made, Governor Shepardson said that he continued to have some reservations regarding the approach

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embodied in the letter as now drafted, that originally he wondered whether it would not be proper for the Board to accept the proposal contained in Bill H. R. 5948, which would place the responsibility for passing on proposed mergers and consolidations in the Board, and that after hearing the discussion he would be willing to go along with a reply along the lines of the current draft principally on the basis that administrative problems would be facilitated and that the procedure would provide a means of taking into account the various factors which should be considered in the area of bank mergers and consolidations. While recognizing the difficulties involved in administering legislation of this kind, including the difficulties in establishing appropriate criteria, he continued to feel that it was necessary for some agency to exercise judgment and that perhaps the Board was in a better position to exercise such judgment than any other agency.

Regarding the last comment by Governor Shepardson, Governor Robertson expressed doubt that the Board was in a position, or would be for a long time, to effectively exercise the powers that would be vested in it pursuant to H. R. 5948. It was his view that the enforcement of section 7 of the Clayton Act required a proficiency acquired only through constant practice in matters of that nature, that the Board was in a position to make an administrative decision, but that as far as enforcement was concerned the Board would operate under a severe handicap. Governor Robertson also felt that concentration of authority in the Board would sooner or later result in conflicts with the other bank supervisory agencies.

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Governor Szymczak stated that if the authority to pass on bank mergers were dispersed among the three bank supervisory agencies, he could see the possibility that disagreements would arise concerning the establishment of a formula for considering such transactions, in view of the apparent difficulty in deciding what would constitute a lessening of competition or tendency to create a monopoly. He inquired, therefore, whether it would not be better to give a single supervisory agency authority to pass on such cases, with the provision that if the agency was in doubt it could submit the case to the Department of Justice for an opinion, request that Department to proceed with enforcement and, if no action was taken, to proceed itself. He felt that the reply now under consideration might be interpreted to the effect that the Board was trying to evade the responsibility which would be placed upon it by legislation along the lines of H. R. 5948.

Governor Balderston stated that his views were similar to those of Governor Robertson, although he continued to be concerned about having the Board assume such a function, particularly in an area having so many imponderables. He foresaw that the Board would find itself lacking standards necessary for clear-cut decisions. On the other hand, he considered public sentiment to be such that some Governmental supervision of bank mergers and consolidations would be required. He also pointed out that the three bank supervisory agencies were close to the problem, so that they could carry out the function of advance approval with the greatest possible store of

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intimate knowledge. In this connection, it was his view that the use of the three agencies would diminish the amount of friction that he felt would arise should the entire responsibility be fixed in one agency. While realizing the complexity of the problems, he thought that some legislation would be passed and that the Board should not abdicate its responsibility in such a way as to throw the burden into unexperienced hands. Therefore, he found himself in agreement with the report as now written.

Governor Mills said that he saw a need for legislation and recognized the necessity for an administering agency. However, he felt that the proposal, if it included advance approval, was a far-reaching step because it would extend the principle of bank supervision into a quasi-judicial field. In all the circumstances, he said, he would have to vote against the report as now drafted, it being his preference to accept the bill as introduced with a recommendation that the Board be the fact-finding agency and the Department of Justice be the enforcement agency. Under such a plan, it was his belief that practical procedures could be worked out with the other bank supervisory agencies which would provide the Board with information about those relatively few cases that deserved study from the standpoint of their antitrust aspects. He found himself unable to conclude that the question of a tendency toward monopoly could be raised in other than exceptional circumstances.

Chairman Martin stated that he favored the general approach outlined in the draft of reply even though he realized that legislation along

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those lines would present many difficulties. He then suggested that a draft of letter to the House Committee on the Judiciary following the lines of the revised draft considered at this meeting be sent to the Bureau of the Budget, with the understanding that the letter would be considered further by the Board in the light of any comments made by that agency.

Thereupon, unanimous approval was given to a letter from Chairman Martin to the Honorable Rowland R. Hughes, Director, Bureau of the Budget, reading as follows, it being understood that Governors Szymczak and Mills favored submitting the proposed report to the Budget Bureau for comment, but that they did not favor the report itself in the form in which it was now drafted:

In compliance with a request received from the Committee on the Judiciary of the House of Representatives, the Board has prepared the enclosed report on the bill H. R. 5948 "To amend the Clayton Act by prohibiting the acquisition of assets of other banks by banks, banking associations and trust companies when the effect may be substantially to lessen competition, or to tend to create a monopoly."

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

Messrs. Sloan, Hackley, Cherry, and Shay then withdrew and Mr. Wilson, Chief, Machine Tabulation and Telegraph Section, Division of Administrative Services, entered the room.

Consideration was given to a memorandum from Mr. Young, dated May 6, 1955, which had been circulated to the members of the Board, regarding the further mechanization of the Board's computing and charting operations.

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After discussing the extent of mechanization to date in the processing of statistical data at the Board, the memorandum described the potentialities of electronic computers and presented for consideration the possibility of purchasing an intermediate type Univac machine at a cost of from \$85,000 to \$125,000, depending on the amount of associated equipment. The memorandum stated that such a machine could be installed in from four to six months, but brought out that the full advantages of the new equipment could be realized only after a period of experimentation and training of personnel. The possible purchase of another piece of equipment — a charting machine — also was discussed, the memorandum stating that such a machine was now available, that a major portion of the work charts now drawn by clerks could be drawn mechanically, that the cost per chart on the basis of present volume would be no higher than at present, and that additional charts could be produced at a relatively low cost.

At the request of the Board, Mr. Young made a statement in which he said that the growing requirements upon the Division of Research and Statistics had been accommodated so far by such methods as additions to personnel and more effective division of labor and of supervisory responsibility, but that prospective requirements indicated the necessity for investigating the possibilities of additional mechanical processing, particularly in view of the limited space available in the Federal Reserve Building which would preclude extensive additions to the staff. With regard to electronic computing machines, Mr. Young said that new models were being put on the market

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continually, but that development had reached the point where there would seem to be a real loss in waiting for better machines to appear. This was true, he said, not only because of the savings that could be realized through installation of such machinery, but because of the study and experimentation necessary after a machine had been installed to insure full utilization. Mr. Young added that the Division of Research and Statistics had experimented with seasonal adjustments by using the electronic computer at the Bureau of the Census and had found that much saving of time was possible. He then spoke of the possible applications of an electronic computing machine in other divisions of the Board, including the Division of Bank Operations and the Office of the Controller, following which he said that the members of the staff who had looked into the matter were fully satisfied as to the desirability of going forward along these lines.

With regard to the charting machine, Mr. Young said that the time for producing a work chart would be considerably reduced, that the machine could be put into operation immediately, and that, although the product of the machine apparently would be limited to work charts, the prospective usefulness of the equipment would seem to warrant its purchase.

Chairman Martin then suggested that Governors Mills, Balderston, and Shepardson serve as a committee to discuss with the staff the matters referred to by Mr. Young and to make recommendations as to the actions which should be taken.

This suggestion was approved unanimously.

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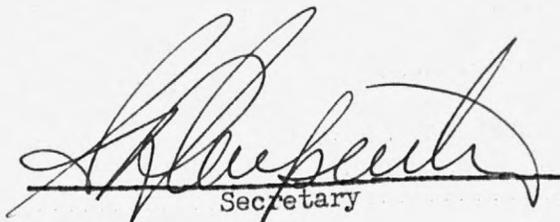
Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 19, 1955, were approved unanimously.

The meeting then adjourned.

Secretary's Note: Mr. Ray Reynolds, cattle feeder and farmer, of Longmont, Colorado, having advised the Chairman of the Federal Reserve Bank of Kansas City that he would accept, if tendered, appointment as a director of the Denver Branch, a telegram reading as follows was sent to Mr. Reynolds today in accordance with the action taken by the Board on May 18, 1955:

Board of Governors of Federal Reserve System has appointed you a director of Denver Branch of Federal Reserve Bank of Kansas City for unexpired portion of term ending December 31, 1956. Your acceptance by collect telegram will be appreciated.

It is understood you are not a director of a bank and do not hold public or political office. Should situation in these respects change during tenure of your appointment, please advise Chairman Federal Reserve Bank of Kansas City.



Secretary