

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 17, 1955. The Board met in the Board Room of the Federal Reserve Bank of Richmond at 9:30 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Thomas, Economic Adviser to the Board  
 Mr. Leonard, Director, Division of Bank Operations  
 Mr. Bethea, Director, Division of Administrative Services  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Sloan, Director, Division of Examinations  
 Mr. Johnson, Controller, and Director, Division of Personnel Administration  
 Mr. Horbett, Assistant Director, Division of Bank Operations  
 Mr. Solomon, Assistant General Counsel  
 Mr. Koch, Assistant Director, Division of Research and Statistics  
 Mr. Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance  
 Mr. Eckert, Chief, Banking Section, Division of Research and Statistics  
 Mr. Miller, Chief, Government Finance Section, Division of Research and Statistics

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:

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Letter to Mr. Armistead, Vice President, Federal Reserve Bank of Richmond, reading as follows:

In accordance with the request contained in your letter of June 9, 1955, the Board approves the designation of Burnley Henley Gibson as a special assistant examiner for the Federal Reserve Bank of Richmond.

Approved unanimously.

Letter to Mr. Patterson, Secretary, Board of Directors, Federal Reserve Bank of Atlanta, reading as follows:

In the light of the circumstances described in your letter of June 6, 1955, the Board of Governors approves the payment of salary to Mr. Dowdell Brown, Jr. as Assistant Vice President of the Federal Reserve Bank of Atlanta for the period June 16, 1955 through December 31, 1955, at his present rate of \$9,500 per annum.

Approved unanimously.

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

Receipt is acknowledged of your letter dated June 1, 1955, advising that you had taken steps to discontinue deposit pickup service by armored truck in San Juan, Puerto Rico, and that this service will be terminated not later than July 29, 1955.

The Board wishes to express appreciation of your prompt and cooperative action.

Approved unanimously, for transmittal through the Federal Reserve Bank of New York, with copies to the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

Letter to Mr. David M. Cole, 20-80 28th Street, Astoria, New York, reading as follows:

This will acknowledge your letter of June 6, 1955, having further reference to the doctoral dissertation on the development of banking in the District of Columbia

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which you are preparing at Columbia University and inquiring concerning the use which may be made of material taken from the minutes and exhibits relative to certain hearings which were held in Washington, D. C., in 1914 by the Reserve Bank Organization Committee.

In all the circumstances, including the public nature of the hearings, there is no objection to your using the material in your dissertation.

Approved unanimously.

There had been circulated to the members of the Board a file relating to the request of Fidelity Union Trust Company, Newark, New Jersey, for the Board's prior written consent, as required by section 18(c) of the Federal Deposit Insurance Act, to the absorption of The Peoples National Bank & Trust Company of Irvington, Irvington, New Jersey, and for permission to establish a branch at the present location of the Irvington institution. The Federal Reserve Bank of New York, in a letter dated June 1, 1955, and the Board's Division of Examinations, in a memorandum dated June 10, 1955, recommended favorable action by the Board.

Governor Robertson stated that in his opinion the case was an extremely close one and that there was little in the file to justify the elimination of competition which would result from the proposed absorption. He suggested, therefore, that the matter be referred back to the Federal Reserve Bank of New York for reconsideration of the competitive aspects and that the Reserve Bank also be requested to ask the New Jersey State banking authorities for their views regarding these aspects of the proposed absorption.

There was unanimous agreement with the procedure suggested by Governor Robertson.

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There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Chicago, St. Louis, Kansas City, and San Francisco approving the establishment without change by the Federal Reserve Bank of St. Louis on June 13, by the Federal Reserve Bank of Kansas City on June 14, by the Federal Reserve Bank of San Francisco on June 15, and by the Federal Reserve Banks of New York, Philadelphia, and Chicago on June 16, 1955, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a memorandum from Mr. Solomon dated June 14, 1955, copies of which had been sent to the members of the Board, regarding a request from the Senate Banking and Currency Committee for comments on Bill S. 2054, "to amend the Securities Exchange Act of 1934, as amended." Under that Act, corporations whose securities are registered on a national securities exchange are subject to certain requirements relating to publication of financial reports, solicitation of proxies, and so-called "insiders' profits" resulting from trading in the company's stock. Bill S. 2054 would apply those requirements to large corporations, with certain exceptions, regardless of whether their securities are registered on an exchange. Section 3 of the bill would provide that any security of an issuer covered by the bill, unless excluded by the Board of Governors as "not comprehended within its purposes", would be subject to the margin requirement provisions of the Securities Exchange Act in the same manner as if the securities



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were registered on a national securities exchange. As a result, securities covered by the bill would become entitled to the same loan value in brokerage margin accounts as registered securities, and loans by banks to purchase or carry securities so covered would be subject to the margin requirements prescribed by the Board of Governors.

Mr. Solomon's memorandum stated that the bill was substantially the same as recommendations made by the Securities and Exchange Commission in 1950, that those recommendations were embodied in a bill introduced by Senator Frear of Delaware, that action on the Frear bill was deferred when attention was diverted to problems of the Korean crisis, and that when the Securities and Exchange Commission was preparing the Frear bill the Board advised the Commission informally that it had no objection to the provision relating to margin requirements. Submitted with Mr. Solomon's memorandum was a draft of letter to the Banking and Currency Committee which would take the position that the Board agreed with the inclusion of section 3 in the bill.

After commenting on the provisions of the bill at the request of the Board, Mr. Solomon said that according to informal reports, there appeared to be no organized opposition or individual opposition to the bill. He also said that the Banking and Currency Committee expected to hold hearings beginning June 27, 1955, but that according to a member of the Committee's staff, the Committee was not planning to request testimony from the Board.

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Following a discussion, unanimous approval was given to a letter for the signature of the Chairman to The Honorable Rowland R. Hughes, Director, Bureau of the Budget, reading as follows:

In compliance with a request received from the Senate Committee on Banking and Currency, the Board has prepared the enclosed report of the bill S. 2054, "To amend the Securities Exchange Act of 1934, as amended."

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

Prior to this meeting there had been circulated to the members of the Board a memorandum dated June 9, 1955, from Mr. Dembitz, Assistant Director, Division of International Finance, concerning an inquiry received by the United States Treasury representative in the Philippines regarding the possibility of a \$200 million United States Government "loan". One aspect of this inquiry, which the Treasury representative forwarded to Washington without recommendation, related to the possibility of obtaining the credit from the Federal Reserve System. For various reasons stated in the memorandum, including policy and legal questions, it was suggested that the Board's staff be authorized to advise the Treasury staff that the extension of such a credit by the Federal Reserve System for the purposes and in the form outlined in the inquiry would not be in accord with the policies governing the extension of credits by the Federal Reserve System to foreign monetary authorities. It would be suggested, therefore, that the Treasury representative in the Philippines not encourage the authorities

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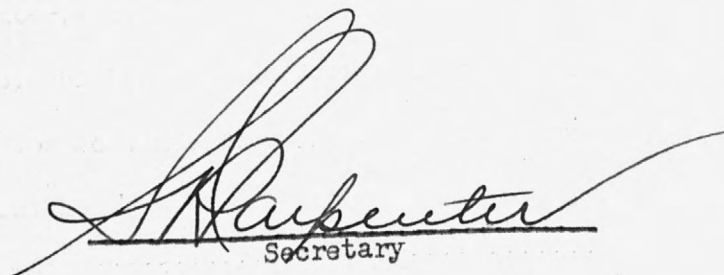
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of that country to apply for such a credit from the Federal Reserve System.

The procedure suggested in the memorandum from Mr. Dembitz was approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 16, 1955, were approved unanimously.

The meeting then adjourned.



Secretary