

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 15, 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. Carpenter, Secretary  
 Mr. Kenyon, Assistant Secretary  
 Mr. Thurston, Assistant to the Board  
 Mr. Riefler, Assistant to the Chairman  
 Mr. Vest, General Counsel  
 Mr. Young, Director, Division of Research and Statistics  
 Mr. Miller, Chief, Government Finance Section, Division of Research and Statistics

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:

Memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Appointment, effective upon the date of assuming duties

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>
Mary T. Gregory, Clerk-Typist	Research and Statistics	\$3,260

Salary increase

Mona E. Dingle, Economist, Division of Research and Statistics. From \$8,000 to \$8,990 per annum, effective August 28, 1955.

Acceptance of resignation

Roberta S. Black, Stenographer, Legal Division. Effective September 16, 1955.

Approved unanimously.

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Memorandum dated August 5, 1955, from Mr. Johnson, Controller, recommending that Susie Oros Booze, Accounting Clerk in the Office of the Controller, who had been on maternity leave since March 14, 1955, be reemployed effective August 15, 1955, with basic salary at the rate of \$4,890 per annum.

Approved unanimously.

Memorandum dated August 9, 1955, from Mr. Young, Director, Division of Research and Statistics, recommending an advance of 30 days' sick leave to Mary White, Clerk in that Division, beginning at the expiration of sick leave previously advanced in accordance with the Board's leave regulations.

Approved unanimously.

Memorandum dated July 21, 1955, from Mr. Bethea, Director, Division of Administrative Services, discussing a suggestion from the Office of Defense Mobilization concerning subscription to telephone company mobile service. An attached memorandum from Mr. Bethea dated August 2, 1955, stated that Governor Robertson recommended the installation of suitable equipment in one of the Board's Cadillacs.

Governor Robertson's recommendation was approved unanimously.

Letter to Mr. Russell G. Smith, Executive Vice President, Bank of America, New York, New York, reading as follows:

This will acknowledge your letter of July 26, 1955, advising that, under the permission granted by the Board under date of June 2, 1953, to purchase at a cost of approximately \$100,000 a total of 850 of the 5,000 shares of capital stock of a Financiera to be organized in and under the laws of the Republic of Mexico, you have executed articles of incorporation under Mexican law in connection with the incorporation of a company to be organized under the name "Descuento Agricola, S. A., Sociedad Financiera Fiduciaria y de Ahorro."

It is understood that the participation by Bank of America will now be Mexican Pesos 1,000,000 (or approximately U. S. \$80,000) of the Mexican Pesos 10,000,000 paid in capital, an investment by your bank of about \$20,000 less than the originally contemplated purchase of 850 shares. The Board has noted, without objection, the modifications in the original proposal.

Approved unanimously, for  
transmittal through the Federal

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Reserve Bank of New York, with  
a copy to the Federal Reserve  
Bank of San Francisco.

Letter to the Board of Directors, The Silverton Bank, Silverton,  
Ohio, reading as follows:

Pursuant to your request submitted through the  
Federal Reserve Bank of Cleveland, the Board of Governors  
of the Federal Reserve System approves the establishment  
of a branch on Kenwood Road about 200 feet south of the  
intersection with Montgomery Road in Sycamore Township,  
Hamilton County, Ohio, by The Silverton Bank, Silverton,  
Ohio, provided the branch is established within one year  
from the date of this letter.

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

Letter to the Board of Directors, American Trust Company, Charlotte,  
North Carolina, reading as follows:

Pursuant to your request submitted through the Fed-  
eral Reserve Bank of Richmond, the Board of Governors of  
the Federal Reserve System approves the establishment of  
a branch on Woodlawn Road in the Park Road Shopping Center,  
Mecklenburg County, North Carolina, provided the branch  
is established within one year from the date of this letter.

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

There were presented telegrams to the Federal Reserve Banks listed  
below approving the establishment without change on August 11, 1955, of  
the rates of discount and purchase in their existing schedules:

Cleveland  
Atlanta  
Chicago

Minneapolis  
Dallas

Approved unanimously.

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The following travel requests were presented:

<u>Name and title</u>	<u>Duration of travel</u>
Mr. Vest, General Counsel	September 27-30, 1955
To travel to Boston, Massachusetts, to attend a meeting of the Legal Subcommittee of the Insurance Committee of the Federal Reserve Banks.	
Mr. Sprecher, Assistant Director, Division of Personnel Administration	August 30-September 8, 1955
To travel to Kansas City, Missouri, and Dallas, Texas, to visit the Personnel Departments of the Federal Reserve Banks of Kansas City and Dallas.	

Approved unanimously.

There had been circulated to the members of the Board a draft of letter to Mr. William A. Burkett, Superintendent of Banks for California, prepared in response to a letter dated July 22, 1955, from Mr. Maurice H. Sparling, who resigned as Superintendent of Banks subsequent to the date his letter was written. In his letter, Mr. Sparling raised certain questions regarding the Board's recent action in declining an application of The California Bank, Los Angeles, California, to establish a branch at Fullerton, California.

The points raised in Mr. Sparling's letter were discussed briefly, following which Chairman Martin suggested that action be deferred until after the return of Governor Robertson unless a check by the Secretary disclosed reasons why a letter should be sent or other action taken before that date.

This suggestion was approved unanimously.



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Prior to this meeting the following draft of letter to the Presidents of all Federal Reserve Banks had been circulated to the members of the Board:

This refers to the Board's letter of July 1, 1955, requesting the Federal Reserve Banks' views as to the desirability of adopting an amendment, by way of an additional paragraph, to the existing rules for waiver of deficient reserve penalties, for possible use if withdrawals from the Tax and Loan Accounts of the new Class C depositaries resulted in reserve deficiencies.

Most of the Reserve Banks were sympathetic to the adoption of the provision. However, one of the Reserve Banks stated that most of the member banks contacted took the attitude that the Tax and Loan Account is little different from other large demand deposits, and that unexpected fluctuations in the account could and should be met without undue difficulty in the ordinary course of business. The Bank feels that this is a sound approach to the proposal and one which should be encouraged; and that, although a particular Class C bank might occasionally have serious difficulty in adjusting its position as a result of unexpected large withdrawals, the proposed waiver rule does not appear to be essential to the success of the Treasury's plan for the new Class C depositaries. Another Reserve Bank expressed essentially the same view; it pointed out also that the proposed waiver provision would extend further the limits within which reserves might be averaged and introduce another unnecessary complication into the mechanics of reserve analysis.

In the above circumstances, and after further consideration, the Board has decided to defer action on the suggested additional waiver-of-penalty provision until a definite need therefor is demonstrated as a result of operations under the plan for Class C depositaries. If in the meantime a Class C depositary sustains a deficient reserve penalty as a result of a withdrawal from its Tax and Loan Account on the last business day of the reserve computation period and such penalty can not be waived by the Federal Reserve Bank under the existing rules, a request may be made to the Board for authorization to waive the penalty. If and when experience demonstrates the need for a specific provision to cover such cases, the Board will give further consideration to this matter.

Approved unanimously.

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Pursuant to the understanding at the meeting on August 11, 1955, further consideration was given to the response that should be made to a letter dated July 15, 1955, from Representative Patman concerning "short-selling" in the Government securities market.

Governor Vardaman presented for consideration certain suggestions for changes in the draft submitted by the staff at the meeting on August 11. Governor Szymczak stated that he had sent certain suggestions to Mr. Riefler, and Mr. Riefler said that additional information received from the Federal Reserve Bank of New York indicated that there might be a need for other changes in the draft.

Governor Mills stated that he continued to prefer a letter along the lines of the shorter of the two drafts originally submitted for the Board's consideration, since he felt that the shorter draft represented an adequate response while the longer draft gave explanations that were not called for. He also noted the lapse of time since the date of the incoming letter and suggested the desirability of making as prompt a reply as possible.

Following further discussion, Chairman Martin suggested that the staff be requested to submit another draft for discussion at the meeting tomorrow which, among other things, would explain the reasons for the delay mentioned by Governor Mills.

There was unanimous agreement with this suggestion.

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 11, 1955, were approved unanimously.

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

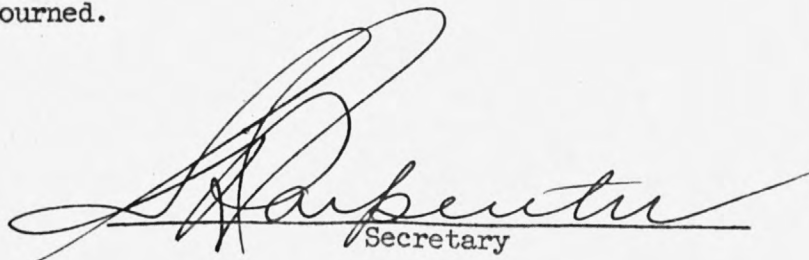
The Chairman later informed the Secretary that during the executive session the Board considered a draft of letter to Mr. Hall, Chairman of the Federal Reserve Bank of Kansas City, which previously had been circulated to the members of the Board and that unanimous approval was given to a letter to Mr. Hall over the signature of the Chairman in the following form:

The expenditures in connection with the celebration of the fortieth anniversary of the Federal Reserve Bank of Kansas City, listed in the report of examination of the Bank made as of May 2, 1955, have been noted by the Board and it is concerned with the overall cost of approximately \$7,000.

As you know, this general problem was the subject of a recent letter to President Young as Chairman of the Presidents' Conference and it was also discussed at the last meeting of the Conference and the Board. For the reasons stated in that letter the Board believes that such expenditures should be kept within reasonable bounds.

With respect to the other expenditures listed in the report of examination, there is a question whether the Federal Reserve Banks should pay the transportation and subsistence costs of wives or husbands when employees attend Federal Reserve functions.

The meeting then adjourned.

  
Secretary