

Minutes for January 5, 1956

To: Members of the Board

From: Office of the Secretary

Attached is a copy of the minutes of the Board of Governors of the Federal Reserve System on the above date.

It is not proposed to include a statement with respect to any of the entries in this set of minutes in the record of policy actions required to be maintained pursuant to section 10 of the Federal Reserve Act.

Should you have any question with regard to the minutes, it will be appreciated if you will advise the Secretary's Office. Otherwise, if you were present at the meeting, please initial in column A below to indicate that you approve the minutes. If you were not present, please initial in column B below to indicate that you have seen the minutes.

	A	B
Chm. Martin	x <u>TM</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	_____	x <u>(w)</u>
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	x <u>CCB</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 5, 1956. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Sloan, Director, Division of Examinations
 Mr. Johnson, Controller, and Director, Division of Personnel Administration

Reference was made to memoranda dated December 27, 1955, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Francis J. McGarvey and Elwood H. Missimer as Assistant Federal Reserve Examiners in that Division, each with basic annual salary at the rate of \$5,440 and subject to the completion of a satisfactory employment investigation, effective as of the respective dates on which they assume their duties.

When the files were in circulation to the members of the Board, Governor Mills called attention to the fact that both men had changed employment rather frequently in the past and that reference letters, including letters from previous employers, were not yet available.

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At the request of the Board, Mr. Johnson discussed the applications and stated reasons why the Division of Personnel Administration had suggested that action be taken on them subject to the completion of employment investigations. He also said that each applicant made a favorable impression in interviews with him and with Mr. Lang, Chief Federal Reserve Examiner, and that each expressed a desire to make a permanent affiliation with the Board. He went on to say that in each case some reference letters had been received since the files were placed in circulation to the Board, that the comments were entirely favorable, that he had asked the Federal Reserve Bank of Philadelphia to contact certain previous employers in the Philadelphia area, and that the results of the Bank's inquiries were satisfactory.

Following a further discussion of the circumstances involved, the appointments were approved unanimously, subject to the completion of satisfactory employment investigations.

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 stated:

Memorandum dated December 28, 1955, from Mr. Young, Director, Division of Research and Statistics, stating that the application of Dorothy D. Reeves, Secretary in that Division, for retirement under the Federal Reserve Retirement System had been approved, effective January 1, 1956.

Noted.

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

In accordance with the request contained in your letter of December 27, 1955, the Board approves the appointment of Walter J. Brobyn, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Philadelphia, effective December 27, 1955.

Approved unanimously.

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

In accordance with the requests contained in your letters of December 23, 1955, the Board approves the appointments of James R. Morrison and Thomas L. Wolfe, at present assistant examiners, as examiners for the Federal Reserve Bank of Chicago.

Please advise as to the dates upon which the appointments are made effective.

Approved unanimously.

Letters to the following foreign banking corporations requesting that reports of condition as of December 31, 1955, be submitted to the Board through the Federal Reserve Bank of New York:

Bankers Company of New York
 First of Boston International Corporation
 International Banking Corporation
 Morgan & Cie. Incorporated
 Bank of America
 The Chase Bank
 American Overseas Finance Corporation

Approved unanimously, with copies to the Federal Reserve Bank of New York.

At this point Messrs. Vest, General Counsel, Young, Director, Division of Research and Statistics, and Hackley and Hexter, Assistant General Counsel, entered the room.

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With reference to the discussion at the meeting of the Board yesterday concerning the proposal that debentures of the Banks for Cooperatives be "exempt securities" for the purposes of section 5136, Revised Statutes of the United States, Governor Robertson stated that yesterday afternoon Governor R. B. Tootell, Deputy Governors A. T. Esgate and Harold A. Miles, and General Counsel John C. Bagwell of the Farm Credit Administration met with him, Governor Shepardson, and Messrs. Vest, Young, and Hexter to present arguments in favor of the proposal. They stated, Governor Robertson said, that for many years Federal Intermediate Credit Bank debentures have been exempt, that their fiscal staff found it difficult to explain why the debentures of the Banks for Cooperatives are not likewise exempt, and that failure to exempt the latter debentures tended to result in their having to carry a higher interest rate. They saw no essential differences between these two classes of securities and the bonds of the Federal Land Banks, which also have an exempt status under section 5136.

Governor Robertson said that quantitatively the matter was a rather small one, but that from the standpoint of principle there seemed to be no basis for granting exempt status to the debentures of the Banks for Cooperatives. Therefore, he felt that the Board should adhere to the position decided upon at yesterday's meeting and advise the Bureau of the Budget that in its opinion there was not sufficient justification for taking a favorable position on the current proposal. He also felt that the reply to the Budget Bureau should state that exempt status was

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inappropriate with respect to the Federal Intermediate Credit Bank debentures, particularly since the draft bill submitted by Farm Credit Administration was designed to make the ownership and direction of the intermediate credit banks increasingly nongovernmental. He recognized that from the bank supervisory standpoint the matter was not a momentous one but felt that the Board should advise the Budget Bureau of its views on the basis of the principles involved.

Governor Szymczak commented that if the debentures of the Banks for Cooperatives were accorded exempt status, other agencies might be inclined to seek similar status for other types of securities. In this connection, he noted that the Home Loan Banks had been active in seeking an amendment to the law to make their obligations eligible as collateral for Federal Reserve Bank advances under section 13 of the Federal Reserve Act.

Governor Shepardson suggested that perhaps the Board's letter to the Budget Bureau could be framed along the lines that although in principle this was not a justifiable proposal from the bank supervisory standpoint, the Board would interpose no objection because of the small amount of obligations involved and the exempt status of obligations of the Federal Land Banks and the Federal Intermediate Credit Banks. He said that from the discussion yesterday afternoon he gathered that at no time was there a banking justification for exempting the latter two types of securities, that the action was a means of strengthening agricultural credit, and that there might still be some need from that standpoint. He went on

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to point out that System credit policy is now directed toward exercising some restraint on the economy as a whole through increasing the cost of money, and that in the light of the current agricultural situation there might be some question whether the agricultural sector should have to share fully in that increased cost if there was any way of avoiding it.

Governor Mills said he had a great deal of sympathy with Governor Shepardson's reasoning, but that the issues involved in the proposed exemption were very important. He commented that if exemption were granted to a type of security that did not have the general taxing authority behind it, or in other words was not a direct obligation of the Federal Government or of a State or political subdivision, it would result in weakening to a substantial degree the power of the bank supervisory authorities to control the quality of bank investments. While the present proposal was a minor one, the principles were in his opinion quite important and he felt that the Board should base its letter to the Budget Bureau on those principles.

Following a further discussion of how the letter might be phrased in the light of the views that had been expressed, Mr. Carpenter read an alternative draft of letter that had been prepared in the Legal Division after the discussion at yesterday's meeting of the Board.

Governor Balderston then stated that he favored a letter registering objection in principle to the current proposal of Farm Credit Administration but went on to say that he would have no objection to changes in the

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draft so that the letter would express sympathy with the desire of that agency to enable the Banks for Cooperatives to finance their operations as economically as possible. He also referred to a point brought out by Governor Shepardson, namely, that with obligations of the intermediate credit banks and land banks having been accorded exempt status under section 5136, consistency might seem to point to the same exemption for obligations of the Banks for Cooperatives.

Governor Shepardson said that in the light of the discussion at this meeting he would not object strongly to taking the position of recommending against the proposal. However, he hoped that the letter could be written in terms that would express appreciation of the problems confronting the Farm Credit Administration.

Chairman Martin then stated that if the letter were sent in the form apparently favored by the majority of the Board and if the proposal should become controversial, the Board could stand on its objection in principle but perhaps give way in this particular case. No dissent from Chairman Martin's statement was expressed.

Following further discussion, unanimous approval was given to a letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, in the following form:

This is in response to your letter of December 20, 1955, requesting the Board's views on a draft bill "To merge production credit corporations in Federal intermediate credit banks;

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to provide for retirement of Government capital in Federal intermediate credit banks; to provide for supervision of production credit associations; and for other purposes."

The draft bill would provide for the merger of the production credit corporation in the Federal intermediate credit bank of each district, and the latter would become responsible for the present supervisory and servicing functions of the production credit corporation.

The capital structure of the credit banks would be reorganized, and the existing stock of each bank now held by the Secretary of the Treasury would be transferred to the Governor of the Farm Credit Administration. The stock held by the Government would be Class A stock, and provisions are included in the bill looking to its gradual retirement. Class B stock and participation certificates would be acquired by production credit associations in accordance with a formula set out in the bill.

Under existing law, the credit banks are authorized to make loans, advances and discounts with maturities not to exceed three years. Under the proposed bill they would be authorized to make such loans, advances and discounts with maturities not to exceed seven years. Also under existing law, the credit banks may make loans to production credit associations upon security approved by the Governor. The draft bill would amend this authority so as to permit loans to both production credit associations and other financing institutions on the security of collateral approved by the Governor, although any such loan could be made only to enable these institutions to make loans for agricultural purposes.

The main provisions of the draft bill, referred to in the preceding paragraphs, are not closely related to the work of the Federal Reserve System or the responsibilities of the Board of Governors, and the Board has no comments to offer with respect to them.

However, the Board is more directly concerned with the proposed section 201(c), which deals with a matter that is not related to the other provisions of the draft bill. That section would exempt debentures issued by the Banks for Cooperatives from the limitations and restrictions prescribed by section 5136 of the Revised Statutes with respect to the powers of national

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banks and member State banks to invest, underwrite, and deal in securities. The banking problem involved in this proposal is not momentous, and the Board is sympathetic toward the desire of the Farm Credit Administration to enable the Banks for Cooperatives to finance their operations as economically as possible. Nevertheless, from the bank supervisory viewpoint there is no sufficient justification, in the opinion of the Board, for conferring exempt status on such debentures; nor does that status appear to be necessary in order to enable the Banks for Cooperatives to distribute their debentures successfully. For these reasons, the Board would not favor the grant of exemption embodied in section 201(c) of the draft bill.

It has been suggested that exemption is appropriate in this case because similar debentures issued by the Federal intermediate credit banks are exempt from the provisions of section 5136. Assuming that the two classes of debentures are comparable, the Board would be inclined to feel that exempt status is inappropriate with respect to both, especially since the draft bill is designed to effectuate further the objective of the Farm Credit Act of 1953 of making the ownership and direction of the intermediate credit banks increasingly nongovernmental.

Mr. Hexter then withdrew from the meeting.

By letter dated December 27, 1955, the Bureau of the Budget requested a report from the Board on a draft of a bill which would provide Federal grants and advances to the States for the purpose of assisting in financing the construction of school facilities. In a memorandum dated January 4, 1956, copies of which had been sent to the members of the Board, Mr. Hackley stated that the bill contained no provisions directly affecting the Federal Reserve System or relating to banks except a provision which would exempt from the underwriting provisions of section 5136, Revised Statutes of the United States, obligations to be issued by local

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school-financing agencies. Payment of those obligations would be backed by a reserve fund established by the local agency, consisting of amounts paid in in equal parts by the State Government and by the Federal Government. The exemption from section 5136 would not be a complete exemption but only an exemption from the restrictions imposed upon national (and State member) banks in dealing in and underwriting securities. In the memorandum, Mr. Hackley reported having been informed that the Office of the Comptroller of the Currency had advised the General Counsel's Office of the Treasury Department, which was preparing a report on the bill, that it saw no objection to the proposed exemption. Attached to the memorandum was a draft of reply to the Budget Bureau which would raise no objection to the proposed exemption or to any other features of the bill. However, the bill would provide the obligations of the school-financing agencies with exemption from Federal taxation and, although this was primarily a Treasury matter, the draft of reply would raise the question whether consideration had been given to the possibility of eliminating the tax exemption feature.

In commenting on the matter, Mr. Hackley pointed out that the proposed reply would make no mention of the contemplated partial exemption from section 5136 since it was felt that this would be unnecessary unless the Board had an objection. With reference to the proposed exemption from Federal taxation, he commented that this would, of course, reduce

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the income of the Federal Government and that it would enable the school-financing agencies to market their issues at a lower rate of interest. However, it was recognized that such a matter was primarily within the province of the Treasury and that the Board might not wish to include any reference to it.

Governor Szymczak suggested a change in the language of the draft of letter in the interest of clarification and there was agreement with his suggestion. He then offered another suggestion for rewording the reference to the tax exemption feature. On this point, Governor Mills suggested that the nature of the securities might make them legally exempt from Federal taxation. After some discussion of the obligations, it was agreed to eliminate from the draft any reference to the tax exemption feature on the theory that the Treasury would be the proper agency to comment on that point after a thorough study of the matter.

Governor Robertson inquired whether some reference should not be made in the reply to the partial exemption from section 5136, and there followed a discussion from which it developed that it was not clear whether the State's agreement to contribute to reserve funds established by the local agencies to back the payment of the obligations which they issued would constitute a general obligation of the State. It was the view of the Board that, since this was not clear, the letter should state that the Board would have no objection to the partial exemption from section 5136 if the agreement of the State would constitute a general obligation.

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At the conclusion of the discussion, unanimous approval was given to a letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, in the following form:

This is in response to your letter of December 27, 1955, requesting the Board's views with respect to a draft bill "To authorize Federal assistance to States and communities to enable them to increase public elementary and secondary school construction."

Briefly, it is understood that the bill would provide for Federal grants to the States to finance urgently needed school facilities; authorize the Federal Government to purchase obligations issued by local educational agencies to finance school construction where such obligations cannot otherwise be marketed at reasonable rates of interest; provide support by the Federal Government, with the participation of the States, of obligations issued by State school-financing agencies established to finance construction of school facilities; and provide for Federal grants to the States to assist in developing programs designed to overcome obstacles to local financing of school construction.

In connection with the proposed program to support obligations issued by State school-financing agencies, it is understood that the United States Commissioner of Education would be authorized to enter into agreements with such agencies under which reserve funds would be established by the agencies to assure payment of the obligations issued by them and that the Federal Government and the participating State would each make payments to such reserve funds in an amount equal to one-half of the maximum annual debt service on such obligations.

The main provisions of the draft bill do not fall directly within the scope of the Federal Reserve System's monetary and supervisory responsibilities, and the Board, therefore, has no comment to offer with respect to them. It is noted, however, that obligations issued by State school-financing agencies, supported by reserve funds provided in equal parts by the Federal and State Governments, would be exempted by section 315 of the bill from the provisions of section 5136 of the Revised Statutes limiting the underwriting of securities by national

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banks, but such obligations would be subject to the requirements of that section with respect to eligibility and could not be held by a national bank in an amount in excess of 10 per cent of its capital and surplus. The bill is silent as to whether the State's agreement to make advances to such reserve funds would constitute a general obligation of the State; but if it is to constitute such a general obligation, the Board offers no objection to the proposed exemption of the obligations in question from the dealing and underwriting restrictions of section 5136.

Mr. Hackley then withdrew and the following members of the staff entered the room: Mr. Sherman, Assistant Secretary; Messrs. Marget, Director, Dembitz, Assistant Director, and Tamagna, Chief, Financial Operations and Policy Section, Division of International Finance; Mr. Solomon, Assistant General Counsel; and Mr. Goodman, Assistant Director, Division of Examinations.

Pursuant to the understanding at the meeting on December 21, 1955, there was a further discussion of the proposed revision of the Board's Regulation K, Banking Corporations Authorized to Do Foreign Banking Business under the Terms of Section 25(a) of the Federal Reserve Act.

Preliminary to this discussion, Mr. Solomon and other members of the staff had prepared, at the request of Governor Balderston, a supplemental memorandum entitled "Problems Arising in connection with Proposal to Amend Regulation K". This memorandum, copies of which had been distributed to the members of the Board, pointed out that the proposed revision was lengthy and detailed and involved a promulgation by the Board of numerous rules as to what specific activities are and are not permissible

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for Edge Act corporations, including special treatment for those called "banking corporations" and for those called "nonbanking corporations". The memorandum also stated that one of the most difficult problems involved in the consideration of the regulation was a determination by the Board as to whether certain specific activities of Edge Act corporations in this country can properly be considered "incidental" to their foreign or international business. It suggested that it might be difficult for examiners to apply these detailed rules and that the corporations affected might request numerous interpretations from the Board. The memorandum also dealt with the apparent conflict of objectives involved in any revision of Regulation K. The purpose of fostering and facilitating the foreign trade of the United States would seem to call for a liberal approach to all questions as to the authority of Edge Act corporations, while, on the other hand, the fact that the law limited the activities of such corporations in the United States to those incidental, in the judgment of the Board, to their international or foreign business would make it seem advisable that their functions be viewed strictly in order that the corporations might not unduly or improperly compete with domestic commercial banking institutions. It was pointed out that the apparent conflict of objectives was not confined to the regulation but was inherent in the statute. The memorandum then commented on the possible use of an Edge Act corporation to serve in effect as a kind of limited-function branch of a commercial bank operating across State lines. In view of

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these problems, the memorandum suggested that a revision of Regulation K might not be the proper approach and that the problem should be approached from a more fundamental point of view. In other words, it might be appropriate for the Board to consider whether the Edge Act is performing a satisfactory function or whether it would be desirable to amend or repeal the Act. One method suggested was to amend the law so as to eliminate the authority of Edge Act corporations to perform banking functions and to require that they thereafter engage only in nonbanking operations, with appropriate statutory restrictions on their activities in the United States. The memorandum then discussed procedures which might be followed if it should be decided that the problem ought to be approached in this manner.

Governor Szymczak stated that the memorandum raised questions which inevitably arise in the revision of a regulation such as Regulation K. He recalled that the Special Committee on Foreign Operations of American Banks (the Neal Committee) was asked not only to present recommendations to enable the Board to answer the questions presented to it by the activities of Edge Act corporations, but also to study the feasibility of requesting the Congress to eliminate or change the present legislation. The result, he said, was that the Committee presented a recommendation (considered recently by the Board) that the functions of foreign branches of national banks be broadened to enable them to have powers not permitted to the parent institutions in this country, and that Regulation K be revised to apply not only to Edge Act corporations but to corporations

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operating under agreements with the Board pursuant to section 25 of the Federal Reserve Act. The aforementioned staff memorandum, he noted, suggested that since there are numerous questions now before the Board concerning Edge Act corporation activities, perhaps these could be answered on an ad hoc basis pending action by the Congress on recommendations for legislative changes. He pointed out that undoubtedly it would take some time for the Congress to act on such recommendations and that in the meantime the questions now before the Board would have to be answered in some way.

Governor Balderston then made a statement in which he said that the questions which resulted in the preparation of the staff memorandum arose out of an attempt on his part to understand the principal problems involved in a revision of Regulation K and to understand where a revised regulation might lead the Board. He asked whether many of the problems as to what activities of an Edge Act corporation in the United States are incidental to its foreign or international business did not actually arise from the fact that Bank of America, which is owned by a national bank in California, is located physically in New York City; in other words, if permission had not been granted to Bank of America to locate in New York City, would not many of the problems confronting the Board have been avoided. He went on to say that his thinking was in two categories. He was completely in sympathy with legislation to broaden the powers of foreign branches of national banks and he was also in agreement with the

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suggestions made by the Neal Committee with respect to Edge Act corporations of an investment, or nonbanking, character. But with respect to the banking corporations he was confused because there are two objectives which seem to be in conflict, first, the objective of preserving the unit banking system in the United States and, second, the objective of fostering United States foreign trade - imports as well as exports. The first objective would lead him to be restrictive in his thinking with regard to a revised Regulation K because it would not appear that any organization should be used as a device for changing the present banking structure by using an Edge Act corporation arrangement to cross State lines. On the other hand, because of his interest in foreign trade and its development, he would be inclined to be liberal in his approach to a revised regulation. All in all, it seemed to him that no regulation devised by the Board at the present time could quite take care of the difficulties inherent in the statute and the fact that the Edge Act has been used in some instances for purposes not originally envisaged.

At the request of the Board, Mr. Goodman then offered comments in which, after referring to the staff memorandum, he said that he did not see a very difficult problem in determining what activities of an Edge Act corporation in the United States are incidental to its foreign or international business. He also did not see that it would be too difficult for examiners to apply the rules set forth in a revised Regulation K if they understood what the Board was trying to accomplish by amending the

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regulation. As to the conflict in objectives referred to in the memorandum, he said that if the purpose of the Edge Act was to try to facilitate United States foreign trade and the law says that Edge Act corporations may conduct business in the United States incidental to their international or foreign business, he felt that it should be relatively easy to determine what operations in the United States are appropriate. On the matter of crossing State lines, he said that, according to the legislative history, the Edge Act contemplated a group of banks getting together to form an Edge Act corporation in cases where none of the banks were large enough to undertake that kind of operation themselves. Turning to the situation in foreign countries, Mr. Goodman pointed out that the large banking institutions are provided with alternative means of conducting an international business. He went on to say that he had raised in the Neal Committee the point that Edge Act corporations should be given enough powers to operate effectively or that they should be eliminated. After stating that in his personal opinion repeal of the present legislation would be a step backward, he brought out that the Neal Committee report cited a number of advantages of Edge Act corporations. As a possible alternative procedure, he suggested that if the Board could agree on the sort of operations that it wanted to permit, and if the staff understood the Board's thinking, representatives of Bank of America and other foreign banking corporations might be called in and advised what they could and could not do under existing legislation. Bank of America, he pointed out, has made

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a very broad interpretation of "incidental" activities, and it might be possible to reach a satisfactory agreement on a middle-ground basis. Along these lines, he stated that from conducting examinations of Bank of America he could say that the corporation had not done anything which it could not argue was in some way incidental to its foreign or international business. He then reiterated the point made by Governor Szymczak that the questions now before the Board would have to be answered whether or not Regulation K was amended.

Mr. Solomon agreed that the Board was faced with a number of problems, concrete in each case, which must be dealt with by amending the regulation or in some other way. It seemed to him that Governor Balderston had put his finger on the heart of the whole problem when he commented with respect to the operations of Bank of America in New York, and that the Board would not be confronted with nearly so acute a problem if Bank of America were carrying on operations in a manner similar to other Edge Act corporations and agreement corporations. He then drew from the history of Congressional hearings prior to the passage of the Edge Act to substantiate his contention that the law intended to place a restrictive meaning on the "incidental" activities of Edge Act corporations in the United States. He felt that the resolving of the apparent conflict of objectives discussed in the staff memorandum was greatly aided by the findings in the Neal Committee report that the things which Bank of America or others might desire to do as "incidental" to their

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foreign business are adequately performed at present and that there is no pressing need to broaden the activities of Edge Act corporations in that direction.

Governor Szymczak then suggested, with regard to procedure, that the Board have Mr. Solomon continue his review of the comments and suggestions on the proposed revision of Regulation K which were received from the Federal Reserve Banks, Edge Act corporations, and agreement corporations, and that in response to requests which had been received, the Board invite representatives of Bank of America and Morgan & Cie. Incorporated to meet with the Board to present their views. He said that the Board could then adopt a general philosophy and proceed to consider the main issues involved in the regulation. It could, if it desired, go to the Congress with a request for legislative changes or it could revise the regulation, but in any event it would be in a better position to deal with the pending questions.

There being agreement with the procedure suggested by Governor Szymczak, including agreement that representatives of Bank of America and Morgan & Cie. should be invited to meet with the Board at a mutually convenient time in the near future, Mr. Solomon discussed the so-called "less controversial questions" covered in his memorandum to the Board dated December 2, 1955.

During the foregoing discussion, Messrs. Thomas and Marget withdrew from the meeting.

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Reference was made to a memorandum from Mr. Johnson dated December 29, 1955, recommending favorable action on the following requests from offices and divisions of the Board for approval of expenditures in excess of their 1955 budgets for certain account classifications:

<u>Division</u>	<u>Account Classification</u>	<u>Amount of Excess</u>
Offices of Members of the Board	Traveling Expenses	\$ 2,295
	Telephone and Telegraph	1,100
	Printing and Binding	412
	Books and Subscriptions	135
Research and Statistics	Traveling Expenses	2,000
	Printing and Binding	3,200
Bank Operations	Books and Subscriptions	18
Personnel	Telephone and Telegraph	275
Administrative Services	Telephone and Telegraph	6,960
	Printing and Binding	29,863
	All Other	7,560

Pursuant to the recommendation contained in Mr. Johnson's memorandum, the overexpenditures were approved unanimously.

The meeting then adjourned.

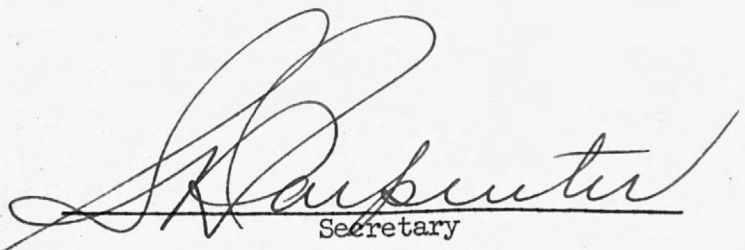
Secretary's Note: It having been ascertained, pursuant to the action taken by the Board on January 4, 1956, that Mr. Harold Vagtberg would accept appointment, if tendered, as a director of the San Antonio Branch, Federal Reserve Bank of Dallas, the following telegram was sent to Mr. Vagtberg today:

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Board of Governors Federal Reserve System has appointed you director San Antonio Branch Federal Reserve Bank of Dallas for term ending December 31, 1958. Your acceptance by collect telegram would be appreciated. Not necessary to sell bank stock to qualify as branch director.

It is understood you are not director of bank and do not hold public or political office. Should situation change in these respects during your tenure please advise Chairman Dallas Bank.


Secretary

- Gen. Martin
- Mr. Boardman
- Mr. Boardman
- Mr. Boardman
- Mr. Boardman
- Mr. Boardman
- Mr. Boardman
- Mr. Boardman
- Mr. Boardman