Minutes for February 16, 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	
Gov. Szymczak	x	
Gov. Vardaman	x	
Gov. Mills	x	
Gov. Robertson	x R	
Gov. Balderston	x CCB.	
Gov. Shepardson	x	

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, February 16, 1956. The Board met in the Board Room at 9:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Young, Director, Division of Research and Statistics
Mr. Johnson, Controller, and Director, Division of Personnel Administration
Mr. Solomon, Assistant General Counsel
Mr. Sprecher, Assistant Director, Division of Personnel Administration

The following items had been circulated to the members of the Board and action on them was as stated:

Memorandum dated February 7, 1956, from Mr. Sloan, Director, Division of Examinations, recommending the appointment of Alexander J. Harris, Jr., as Assistant Federal Reserve Examiner in that Division, with basic salary at the rate of $3,670 per annum, effective as of the date on which he assumes his duties.

Approved unanimously.

Memoranda from appropriate individuals concerned recommending that the basic annual salaries of the following employees be increased in the amounts indicated, effective February 26, 1956:

Name and title	Division	Basic annual salary From	To
	Office of the Secretary		
Lillie B. Brow, Review Classifier		$4,345	$4,480
Kathryn Holmes Fortunato, Minutes Clerk		3,585	3,670

Salary increases, effective February 26, 1956 (continued)

Name and title	Division	Basic annual salary From	To
	Research and Statistics		
Donald C. Miller, Chief, Government Finance Section		$10,320	$11,610
	International Finance		
Floyd L. Whittington, Chief, Far Eastern Section		11,180	11,610
	Examinations		
J. A. Bladen, Assistant Federal Reserve Examiner		5,710	5,845
R. W. Cooke, Senior Federal Reserve Examiner		7,785	8,000
W. D. Dougal, Senior Federal Reserve Examiner		8,990	9,205
E. W. Lyster, Federal Reserve Examiner		6,390	6,605
L. M. Schaeffer, Senior Federal Reserve Examiner		7,570	7,785
K. P. Wendt, Federal Reserve Examiner		6,605	6,820
	Administrative Services		
Claiborne Johnson, Operator (Offset Press)		4,514	4,659
Charles A. Noell, Guard		3,130	3,215
Ralph A. Sherrod, Photographer (Offset)		3,723	3,910
Anna M. Riden, Clerk		3,670	3,755

Approved unanimously.

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

Recent amendments to the Fair Labor Standards Act have increased the minimum hourly wage to $1.00 effective March 1, 1956. In this connection, the Board of Governors feels that it would be inappropriate for a Federal Reserve Bank to have an employees' salary structure containing grade limits below this minimum of $2,080 per annum, irrespective of whether actual salaries paid by the Bank are in excess of this level.

Accordingly, it is requested that you give consideration to eliminating Grade 1 temporarily, the minimum and maximum of which fall below the minimum rate of the Act, and to raising the lower limits of the ranges of Grades 2 and 3 to the minimum rate without raising the maximum of these ranges. The Board is aware that in the grades affected, this will, temporarily at least, depart from the concept of a uniform 35 per cent spread between the minimum and maximum of the grade which was adopted at the time of the inception of the Job Classification and Salary Administration Plans in 1947. However, it is felt that adjusting the beginning ranges in this manner will tend to lessen the effect of the increases on the balance of the structure.

The Board will be prepared to approve such adjustments in the employees' salary structure of your Bank if recommended by your Board of Directors.

Approved unanimously, with the understanding that similar letters would be sent to the other Federal Reserve Banks whose employee salary structures contain grades providing for salaries below the rate of $2,080 per annum.

Letter to Mr. McCreedy, Secretary, Federal Reserve Bank of Philadelphia, reading as follows:

The Board of Governors approves the appointments of Messrs. Albert G. Frost, George E. Lallou, B. F. Mechling, Harry L. Miller, and Daniel H. Schultz as members of the

Industrial Advisory Committee for the Third Federal Reserve District to serve for terms of one year each beginning March 1, 1956, in accordance with the action taken by the Board of Directors as reported in your letter of February 6, 1956.

Approved unanimously.

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

In accordance with the request contained in your letter of February 7, 1956, the Board approves the appointment of Gordon C. Boop as an assistant examiner for the Federal Reserve Bank of Philadelphia.

Please advise as to the date upon which this appointment is made effective.

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

In accordance with the request contained in your letter of February 3, 1956, the Board approves the designations of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland:

Oliver H. Jones, Jr.	J. E. Tokar
R. W. Strickland	P. Eugene Anderson

The Board also approves the designations of the following employees as special assistant examiners for the Federal Reserve Bank of Cleveland for the specific purpose of rendering assistance in examinations of The Cleveland Trust Company only:

Fannie L. Caniglia	May A. Schmitt
Victoria M. Gruden	A. R. Schwede
Violet Salupo	

Appropriate notations have been made on our records of the names to be deleted from the list of special assistant examiners.

Approved unanimously.

Letter to the Board of Directors, Security Trust Company of Rochester, Rochester, New York, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of New York, the Board of Governors approves the establishment by Security Trust Company of Rochester, Rochester, New York, of a branch in Livonia, New York, at the present location of The Stewart National Bank of Livonia, provided that (a) the merger of The Stewart National Bank of Livonia into Security Trust Company of Rochester is effected substantially in accordance with the Merger Agreement dated December 15, 1955, (b) formal approval is obtained from the appropriate State authorities and (c) the merger and establishment of the branch are accomplished within six months from the date of this letter.

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

Letter to Mr. Victor E. Rockhill, Vice President, The Chase Bank, New York, New York, reading as follows:

In accordance with the request contained in your letter of February 2, 1956, addressed to Chairman Martin and transmitted through the Federal Reserve Bank of New York, the Board extends to December 31, 1956, the time specified in the Board's letter of December 29, 1954, within which The Chase Bank was authorized to purchase stock in the then proposed Canadian corporation in a total amount not exceeding 10 per cent of the capital and surplus of The Chase Bank and to hold such stock while conforming with the conditions prescribed and with applicable regulations and law.

It is noted that in the meantime your bank formed a Canadian corporation named Arcturus Investment & Development, Ltd., and in July 1955 invested $1,014,439.04 in the company's stock and that you desire to make a further investment in Arcturus. Accordingly, the Board's approval is given with the understanding that the proposed additional purchase, together with amounts previously purchased, will not exceed in the aggregate 10 per cent of the present capital and surplus of The Chase Bank which aggregates $13,000,000.

Approved, for transmittal through the Federal Reserve Bank of New York, Governor Robertson voting "no" in view of the position which he took at the meeting on December 27, 1954, when the Board granted consent to The Chase Bank to purchase stock in the then proposed Canadian corporation.

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 broaden the exercise of statutory fiduciary powers to include appointments as transfer agent, registrar, paying agent, and trustee under public and private bond issues. 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 transfer agent, registrar, paying agent, and trustee under public and private bond issues, in addition to permission heretofore granted 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.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

This refers to your letter of January 16, 1956, with respect to the question of whether First State Bank of Green's Bayou, having moved within the corporate limits of Houston, must increase its capital to $200,000 or, with the Board's approval, may continue to operate with a capital of $100,000 since it is located in an outlying district of such city.

Until recent years a State bank in Houston could not join the Federal Reserve System unless it had the capital required of a national bank, namely, $200,000, but if located in an outlying district of such city it might be admitted to membership with a capital of only $100,000. Therefore, the Board would not have permitted a bank located outside of Houston to move within its corporate limits unless it complied with the capital requirements for admission of State banks to membership in that place. However, section 9 of the Federal Reserve Act was amended on July 15, 1952, to remove these specific capital requirements for membership, and this section now provides that "no applying bank shall be admitted to membership unless it possesses capital stock and surplus which, in the judgment of the Board of Governors of the Federal Reserve System, are adequate in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities". The statute further provides that no bank may be admitted to membership unless it possesses the capital stock and surplus required of a national bank in that location or it has been approved for deposit insurance.

As First State Bank of Green's Bayou is an insured bank, it would not be necessary for it to meet the capital stock and surplus requirements of a national bank in order to become a member of the Federal Reserve System. Therefore, it is not necessary for this bank to increase its capital unless, in the judgment of the Board of Governors, the capital stock and surplus are inadequate in relation to the character and condition of its assets and to its existing and prospective deposit liabilities and other corporate responsibilities. Since you have recommended approval of its present capital, it is assumed that your Bank is satisfied that the member bank's capital funds are not inadequate at the present time. The Board concurs in this view.

Approved unanimously.

Letter to the Comptroller of the Currency, Treasury Department, Washington, D. C., reading as follows:

This refers to the recent inquiry by Mr. Franklin of your office concerning the scope of trust authority which has been granted by the Board to The National State Bank of Elizabeth, Elizabeth, New Jersey.

Our records indicate that upon application by the national bank authority was granted by the Board on January 10, 1919, to exercise all fiduciary powers recited in section 11(k) of the Federal Reserve Act except authority to act as committee of estates of lunatics. However, the formal certificate forwarded this bank, reciting its trust authority, erroneously indicated that full trust powers had been granted. This fact is evidenced by the photostatic copy of the certificate which your office obtained from the national bank and forwarded to this office.

In view of the period of time in which the national bank has had in its files formal evidence of full trust authority, the Board is reluctant to insist upon procedures usually applicable to supplemental grants of trust powers which would require the national bank to make application for permission to act in the capacity of committee of estates of lunatics. Also, the Board has earlier taken the position that the so-called "general power" covers all fiduciary powers which competing State institutions are authorized to exercise, including any of the eight specific powers enumerated in section 11(k). Thus a national bank which receives a permit covering part of the specific powers and the "general power" may, in practical effect, have full trust powers, although its right to exercise the specific powers not listed in its permit is dependent upon the authority of competing State institutions to exercise them. The ninth or "general power" was included in the grant of trust authority to this bank in 1919.

In all the circumstances, the Board has determined that its records should be adjusted to indicate that The National State Bank of Elizabeth, Elizabeth, New Jersey, has authority to exercise full trust powers, and that no further action should be taken to require the national bank to make supplemental application for the specific power not requested in its original application for trust authority.

Our error in preparation of the certificate of fiduciary authority issued to The National State Bank of Elizabeth is regretted, as are the difficulties which it may have caused in your supervisory relations with this bank.

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

Memorandum dated February 9, 1956, from Mr. Sloan, Director, Division of Examinations, recommending approval of the holding of a Conference of Representatives of Bank Examination Departments of the Federal Reserve Banks, tentatively scheduled for April 9-11, 1956.

Approved unanimously.

Messrs. Johnson and Sprecher then withdrew from the meeting and Mr. Thomas, Economic Adviser to the Board, entered the room.

There had been circulated to the members of the Board a draft of letter for the signature of the Chairman to Mr. Robert E. Merriam, Assistant to the Director, Bureau of the Budget, calling attention to a statement by the latter before the Subcommittee on Reorganization of the Senate Committee on Government Operations on January 26, 1956, in which he referred to "so-called 'independent' agencies responsible directly to the President" and submitted a list which included the Board of Governors. When the file was in circulation, Governor Mills suggested a change in the letter, and a revised draft designed to incorporate his suggestion was read at this meeting.

During a discussion of the matter, a question was raised as to the necessity for sending a letter to Mr. Merriam, particularly in view of the fact that the inclusion of the Board of Governors in the list of independent agencies directly responsible to the President was clearly inadvertent. After consideration had been given to the alternative possibility of calling the matter to Mr. Merriam's attention orally, Chairman

Martin suggested that in the circumstances no letter be sent or other recognition given to the incident at this time.

There was unanimous agreement with Chairman Martin's suggestion.

In response to a question by Governor Szymczak as to when the Board wished to resume its consideration of Regulation K, Banking Corporations Authorized to Do Foreign Banking Business under the Terms of Section 25(a) of the Federal Reserve Act, it was agreed unanimously that the meeting on Tuesday, February 28, should be set aside for that purpose.

Governor Szymczak referred to a letter which Governor Balderston received under date of August 26, 1955, from Mr. Donald C. Rubel, Parrish & Co., Philadelphia, Pennsylvania, suggesting that the Board's Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, be amended to apply not only to stocks but also to bonds and debentures convertible into stock. He then referred to the subsequent discussion of this subject by the Board and to the understanding at the meeting on December 12, 1955, that a memorandum would be prepared by the staff on the history of and reasons for the treatment of convertible bonds and debentures under Regulation U and Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges. Governor Szymczak said that, as requested at the meeting on December 12, the study of the matter had been carried forward under his direction; that there had been informal discussions with representatives of American Telephone and Telegraph Company, the largest issuer of convertible debentures; that the requested staff memorandum, a staff proposal, and a memorandum containing his recommendation were sent to Governor Balderston; and that the question had been raised whether the views of the American Telephone and Telegraph Company on the staff proposal should be obtained informally through the Federal Reserve Bank of New York.

The nature of the staff proposal was discussed in general terms, following which Governor Szymczak suggested that a decision on the question which had been raised be deferred until copies of the staff memoranda and his recommendation had been sent to all of the members of the Board.

It was understood that the procedure suggested by Governor Szymczak would be followed.

Governor Szymczak then referred to the informal meeting of the Board on June 7, 1955, with representatives of the New York Stock Exchange for the purpose of discussing various developments of mutual interest, and to the understanding at that time that consideration would be given to holding similar meetings periodically. He said that a representative of the Stock Exchange had inquired of Mr. Ralph Young whether it would be possible to arrange another such meeting in the near future and that several dates had been suggested by the Stock Exchange.

Following a discussion, it was agreed unanimously that an invitation should be extended to the New York Stock Exchange to have its representatives meet informally with the Board on the morning of March 16, 1956.

Chairman Martin stated that the committee of investment bankers with which the Treasury confers periodically on matters of Treasury financing would be in Washington, D. C., next week and that a representative of that group had inquired whether arrangements could be made for a visit to the Board's offices on Wednesday, February 29. He suggested that an invitation be extended to the group to visit the Federal Reserve Building at 11:30 a.m. on that day and that the program include an economic presentation by the Board's research staff.

There was unanimous agreement that the invitation should be extended.

Governor Robertson summarized developments over the past several years with respect to the question of mobile banking services in Puerto Rico, including the Board's request in May 1955 that The First National City Bank of New York terminate its use of armored trucks for the pick-up of customers' deposits. He said that a local insured bank, Banco Popular de Puerto Rico, had acquired a number of armored trucks for the purpose of sending them to various locations for stated periods to provide banking services and had applied to the Federal Deposit Insurance Corporation for permission to operate branches at the various locations. The Federal Deposit Insurance Corporation, he said, requested the Board's views and he (Governor Robertson) raised a question in the light of the action which the Board took in the case of The First National City Bank of New York. He went on to say that recently representatives of the Division of Examinations conferred with representatives of the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency in order to obtain a clear picture of the situation in Puerto Rico and to develop a position which might be agreeable to all of the Federal bank supervisory agencies. This meeting, he said, resulted in general agreement on the following suggested procedure: the Federal Deposit Insurance Corporation would decline the request of the local bank but would say that if the Puerto Rican Government wanted that kind of banking and felt it was necessary to serve the people of Puerto Rico, and if the legislature should adopt specifically worded legislation to that effect, the Corporation would approve branches in four locations to be served by the armored vehicles until such time as permanent branches might be justified in the respective communities. A further part of the understanding, he said, would be that the same rules would be applicable to all banks operating in Puerto Rico. In view of the nature of the Puerto Rican economy, Governor Robertson considered the proposed solution a satisfactory one and recommended that the Board approve this approach. He concluded by saying that to the extent that this might be considered a supervisory precedent in the field of mobile banking, it would only constitute such a precedent to the extent of indicating that a State must determine by legislation whether mobile banking facilities are desired.

Governor Vardaman said that although he would go along reluctantly with Governor Robertson's recommendation, he favored the principle of mobile banking in the interest of bringing banking facilities to remote locations. Moreover, in view of the status of the Puerto Rican economy, he doubted whether a Federal bank supervisory agency should go so far in dealing with the situation as to make a requirement that specific legislation be passed by the Puerto Rican legislature.

In response, Governor Robertson said the Federal Deposit Insurance Corporation felt that it would be on safer ground if there was legislation specifically authorizing this type of mobile banking facilities in Puerto Rico, for in the absence of such legislation the Puerto Rican situation might be construed in a way which would pose difficulties concerning the problem of mobile banking in the continental United States.

In reply to an inquiry by Governor Shepardson regarding the understanding with the Puerto Rican authorities at the time the Board required The First National City Bank of New York to eliminate its armored car service for the pick-up of deposits, Governor Robertson stated that the official who was then Secretary of the Treasury of Puerto Rico opposed permitting The First National City Bank of New York to provide this service when local banks did not have the same privilege. Now, he said, the local authorities wanted the Federal Deposit Insurance Corporation to change its position and permit the local banks to perform the services which he had described earlier.

At the conclusion of the discussion, it was agreed unanimously to advise the Federal Deposit Insurance Corporation and the Office of the Comptroller of the Currency informally that the Board would have no objection to the procedure which had been outlined by Governor Robertson, Governor Vardaman agreeing reluctantly for the reasons which he had stated.

Chairman Martin presented a letter dated February 15, 1956, which Mr. Arthur F. Burns, Chairman of the Council of Economic Advisers, delivered to him personally yesterday afternoon, and which read as follows:

The Economic Report of the President, submitted to the Congress on January 24, 1956, states that "although present conditions do not call for the use of ... authority to regulate the terms of instalment credit, this is a good time for the Congress and the Executive Branch to study the problem."

In view of the experience of the Board of Governors in administering consumer credit controls and its continuing interest in this area of the credit system, it is natural to turn to the Board for the preparation of a study that could serve as a basis for further discussions within the Executive Branch.

I have been directed by the President to request the Board to undertake a study that would address itself to the following tasks:

(a) analyze the part played by instalment credit in the fluctuations of major consumer industries and the general economy;

(b) appraise the arguments for and against a standby authority to set limits on downpayments and maturities of instalment credit, with particular reference to the probable effects of the use of such an authority on (i) general economic stability, (ii) the welfare of individuals and families, especially in the lower income groups, and (iii) business innovation and the growth of the economy.

If the results of (a) and (b) should point to the desirability of a standby authority, it would be well to carry the study further and consider the range of credit transactions that should be covered by such authority; also, what agency could best administer this authority and the safeguards under which it should function.

It is hoped that the Board will undertake this important study.

I shall, of course, be glad to discuss the scope and time schedule of this investigation with you.

Chairman Martin said that although Mr. Burns asked for any suggestions that the Board might have with respect to the proposed study, it would be quite difficult to make any basic suggestions in view of the fact that the President had approved the letter. He also said that he asked Mr. Burns to withhold public release of the letter until he had an opportunity to bring the matter to the attention of the Board.

The request was discussed in terms of the following language in the President's letter transmitting his Economic Report to the Congress under date of January 24, 1956:

The development of consumer instalment credit has been highly beneficial to our economy. However, it sometimes accentuates movements in the buying of consumer durable goods. Although present conditions do not call for the use of any authority to regulate the terms of instalment credit, this is a good time for the Congress and the Executive Branch to study the problem.

There was agreement on the part of the members of the Board that the requested study should be made, that the first step should be a study at the staff level, that the staff should be authorized to make use of Federal Reserve Bank personnel and outside consultants to the extent considered desirable, and that the Board should consider what report it would make on the basis of the material prepared by the staff. As to the question of procedure, it was suggested that in view of the recommendation in the President's Economic Report and the interest in the subject on the part of the Joint Committee on the Economic Report, it would be desirable to send a letter over the signature of the Chairman to Senator Douglas, Chairman of the Joint Committee, with copies to the Chairmen of the Senate and House Banking and Currency Committees, advising of receipt of the letter from Mr. Burns and inviting comments or suggestions regarding the contemplated study. In this connection, it was suggested that it would be desirable if Mr. Burns would withhold public release of his letter until such time as the Board's letter to Chairman Douglas had been sent.

At the conclusion of the discussion, it was understood that a letter reflecting the views that had been expressed at this meeting would be drafted for the Board's consideration and that Chairman Martin would advise Mr. Burns informally of the Board's desire that his letter not be released until the Board's letter had been sent to the Joint Committee on the Economic Report.

During the foregoing discussion Messrs. Thurston, Assistant to the Board, and Fauver, Assistant Secretary, entered the room and at its conclusion Messrs. Vest and Solomon withdrew.

At the request of the Board, Mr. Fauver discussed plans for the program tomorrow in connection with the visit to the Board's offices by newly-appointed directors of the Federal Reserve Banks and branches.

At the conclusion of a discussion based on Mr. Fauver's remarks, all of the members of the staff withdrew and the Board went into executive session.

The Secretary later was informed by the Chairman that during the executive session unanimous approval was given to the following appointments, each for a term of five years beginning March 1, 1956:

1. Mr. Hugh Leach as President and Mr. Edw. A. Wayne as First Vice President of the Federal Reserve Bank of Richmond;

2. Mr. Malcolm Bryan as President and Mr. Lewis M. Clark as First Vice President of the Federal Reserve Bank of Atlanta;

3. Mr. Delos C. Johns as President and Mr. Frederick L. Deming as First Vice President of the Federal Reserve Bank of St. Louis;

4. Mr. H. G. Leedy as President and Mr. Henry O. Koppang as First Vice President of the Federal Reserve Bank of Kansas City;

5. Mr. Watrous H. Irons as President and Mr. W. D. Gentry as First Vice President of the Federal Reserve Bank of Dallas; and

6. Mr. H. N. Mangels as President and Mr. Eliot J. Swan as First Vice President of the Federal Reserve Bank of San Francisco.

In connection with the approval of the appointments of Messrs. Johns and Deming, the Board also approved the payment of salary to them at the rates fixed by the Board of Directors, namely, $35,000 and $22,000 per annum, respectively, for the period March 1 through December 31, 1956.

In connection with the approval of the appointments of Messrs. Mangels and Swan, the Board also approved the payment of salaries to them at the rates fixed by the Board of Directors, namely, $30,000 and $20,000 per annum, respectively, for the period March 1 through December 31, 1956.

In view of the fact that no successor to Mr. C. S. Young as President of the Federal Reserve Bank of Chicago had yet been appointed, the Board of Directors of that Bank was requesting Mr. Young to serve on a month-to-month basis until a successor could be appointed, with the understanding that if he would accept such service, he would be given an appointment under the new five year term. During the executive session the Board agreed that it would approve the appointment of Mr. Young under such an arrangement until April 1, 1956, if he were willing to serve on that basis, with salary at the rate of $40,000 per annum.

Approval also was given to the appointment of Mr. E. C. Harris as First Vice President of the Federal Reserve Bank of Chicago until April 1, 1956, on the same basis, with salary at the rate of $27,500 per annum.

The meeting then adjourned.

Secretary