

Minutes for April 3, 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.

		B
Chm. Martin	x <u>MM</u>	_____
Gov. Szymczak	x <u>AMS</u>	_____
Gov. Vardaman	x _____	_____
Gov. Mills	x _____	_____
Gov. Robertson	x <u>R</u>	_____
Gov. Balderston	_____	x <u>CCB</u>
Gov. Shepardson	x <u>PS</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, April 3, 1956. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, 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. Thomas, Economic Adviser to the Board
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research and Statistics
 Mr. Sloan, Director, Division of Examinations
 Mr. Hackley, Assistant General Counsel
 Mr. Hexter, Assistant General Counsel
 Mr. Cherry, Legislative Counsel

Reference was made to the following memoranda, which had been circulated to the members of the Board prior to this meeting:

Memorandum dated March 8, 1956, from Mr. Sloan, Director, Division of Examinations, recommending that the basic annual salary of R. C. Griffin, Assistant Federal Reserve Examiner in that Division, be increased from \$4,080 to \$4,215, effective April 8, 1956.

Memorandum from Chairman Martin dated March 27, 1956, recommending that the resignation of Catherine C. Broderick, Secretary in his office, be accepted effective March 10, 1956.

Memorandum dated March 22, 1956, from Mr. Sherman, Assistant Secretary, recommending that the resignation of Janice S. Robinson, Records Clerk in the Office of the Secretary, be accepted effective March 30, 1956.

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Governor Vardaman referred to his comments at the meeting on March 29, 1956, regarding the current procedure for circulating memoranda containing Board personnel recommendations prior to consideration and action at a meeting of the Board and reiterated reasons why he favored reverting to the practice which was followed for some time prior to the fall of 1954 whereby the Director or Assistant Director of the Division of Personnel Administration discussed such recommendations with the members of the Board individually.

Chairman Martin suggested that further consideration of the matter be deferred until after the return of Governor Balderston.

Governor Vardaman concurred in this suggestion and said that he did not want to have action deferred on current recommendations, although he did not wish to vote on such recommendations pending a review of the present procedure by the Board.

Thereupon, the recommendations presented at this meeting were approved, Governor Vardaman not voting.

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 March 29, 1956, from Mr. Sloan, Director, Division of Examinations, recommending that two additional members of the Board's staff be invited to attend the dinner on April 9, 1956, in connection with the Conference of Representatives of Bank Examination Departments of the Federal Reserve Banks, which was approved on March 14, 1956.

Approved unanimously.

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Memorandum dated March 20, 1956, from Mr. Shay, Assistant General Counsel, recommending that the regulations relating to the employment security program of the Board of Governors, as amended February 21, 1955, be further amended (pursuant to the suggestion contained in a letter dated March 16, 1956, from Mr. William F. Tompkins, Assistant Attorney General) by changing the first sentence of subsection (e) of section 5 to read as follows:

A suspended employee shall have the right to submit, within 30 days after notification of the reasons for his suspension, to the Legal Officer (designated by the Board of Governors for the purposes hereof) statements and affidavits refuting or explaining the stated reasons for suspension.

Approved unanimously, effective immediately, with the understanding that a copy of the regulations as so amended would be sent to the Department of Justice as a matter of information.

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

In accordance with the request contained in your letter of March 23, 1956, the Board approves the designation of Robert C. Thoman as a special examiner for the Federal Reserve Bank of New York. The approval heretofore given the appointment of Mr. Thoman as a regular examiner for the Federal Reserve Bank of New York is hereby cancelled.

The Board also approves the appointment of Jerome B. Nelson as an assistant examiner for the Federal Reserve Bank of New York, effective March 15, 1956.

Approved unanimously.

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

This letter is intended to confirm the telephone conversation between Mr. Storrs of your Bank and Mr. Noyes of the Board with respect to the temporary assignment of Mr. R. Pierce Lumpkin to the Board's staff to assist in the work on real estate credit.

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It is understood that the services of Mr. Lumpkin will be available for the period April 15 to about November 1, 1956, subject to the request of Mr. Young, Director, Division of Research and Statistics. It is expected that Mr. Lumpkin would be available here at the Board on the average of about three days a week during the period concerned.

Mr. Lumpkin would remain on the payroll of the Federal Reserve Bank of Richmond but the Board would reimburse the bank for travel and other official expenses incurred by him, including living accommodations in Washington, and subject to the pertinent regulations of the Federal Reserve Bank of Richmond. Since he will retain his present home in the Richmond area and will have occasion to travel frequently to Washington, such travel will be regarded as reimbursable official travel.

We are advised that Mr. Lumpkin has indicated his willingness to come to Washington under the above arrangement. We will appreciate it if you will let us know if the arrangement would be acceptable to you.

Approved unanimously.

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

In accordance with the request contained in your letter of March 22, 1956, the Board approves the designation of Harold G. Haver as a special assistant examiner for the Federal Reserve Bank of Chicago.

Please advise the date upon which the designation is made effective.

Approved unanimously.

Letter to the Board of Directors, The Northern New York Trust Company, Watertown, New York, reading as follows:

On October 24, 1955, the Board of Governors approved the establishment of a branch by The Northern New York Trust Company, Watertown, New York, on the north side of East Orvis Street, 100 feet west of the Grasse River Cantilever Bridge in an unincorporated area of the Town of

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Massena, St. Lawrence County, New York, provided the branch is established within one year from that date.

The Board has been advised that your company proposes to establish this branch on the north side of East Orvis Street, 200 feet west of the Grasse River Cantilever Bridge on property adjacent to the location originally selected. The Board interposes no objection to this proposed change of location.

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

Letter to the Board of Directors, Jenkintown Bank and Trust Company, Jenkintown, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Philadelphia, the Board of Governors of the Federal Reserve System approves the establishment of a branch in the Reading Railroad Station at Glenside and Greenwood Avenues, Jenkintown, Pennsylvania, by Jenkintown Bank and Trust Company, provided the branch is established within six months of the date of this letter and the approval of the State banking authorities is effective at the time of establishment of the branch.

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

Letter to the Board of Directors, The Fifth Third Union Trust Company, Cincinnati, 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 at the corner of Reading Road and Seymour Avenue, Cincinnati, Ohio, by The Fifth Third Union Trust Company, Cincinnati, Ohio, provided the branch is established within nine months from the date of this letter and the approval of the State authorities is in effect as of the date the branch is established.

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

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Letter to the Board of Directors, Fidelity Trust Company, Pittsburgh, Pennsylvania, reading as follows:

Pursuant to your request submitted through the Federal Reserve Bank of Cleveland, the Board of Governors of the Federal Reserve System hereby gives its written consent under the provisions of Section 18(c) of the Federal Deposit Insurance Act to the absorption of the First National Bank of Castle Shannon, Castle Shannon, Pennsylvania, by Fidelity Trust Company, Pittsburgh, Pennsylvania, and approves the establishment of a branch by the latter bank at the present location of the national bank (3734 Poplar Avenue, Castle Shannon, Pennsylvania) provided (1) the absorption is carried out substantially in accordance with the agreement between the parties dated January 27, 1956, (2) investment securities acquired from the national bank are not placed on the books of the trust company at an amount in excess of market values, (3) fixed assets acquired from the national bank are not placed on the books of the trust company in excess of their depreciated value for Federal income tax purposes, (4) formal approval of the State Banking Board is obtained, and (5) the transactions are completed within six months from the date of this letter.

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

Letter to the Organization Committee, Warren Bank, Warren, Michigan, approving the application made on behalf of the bank for membership in the Federal Reserve System and for stock in the Federal Reserve Bank of Chicago, effective if and when the bank opens for business under appropriate State authorization, subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special condition:

3. At the time of admission to membership, such bank shall have paid-in and unimpaired capital stock of not less than \$200,000 and other capital funds of not less than \$225,000.

The letter, which limited to 90 days the time for accomplishing admission to membership, also contained the following paragraphs:

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It appears that the bank will be authorized to exercise trust powers under its charter but that it will not be qualified to engage in such activities. Attention is invited to the fact that if the bank desires to exercise trust powers it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them.

Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the Board of Directors after the bank's Certificate of Authority to Commence Business has been issued. The Board of Directors should also adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution, together with advice of compliance with the provisions of condition numbered 3, should be transmitted to the Federal Reserve Bank of Chicago. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank.

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Chicago, together
with a letter of transmittal con-
taining the following paragraphs:

Before issuing stock in the Federal Reserve Bank of Chicago to the new institution, you are requested to satisfy yourself that a Certificate of Authority to Commence Business has been issued, and that its capital stock of \$200,000 has been paid-in and not less than \$225,000 of other capital funds have been provided. At such time your Counsel should review all steps taken in the organization of the bank. Certified copies of all organization papers and resolutions adopted by the board of directors not previously submitted, should be forwarded to the Board, together with a copy of Counsel's opinion.

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It is assumed that the interested parties understand that approval of this application for membership should not be considered as approval of the operation of a branch at the location of its proposed temporary main office, as the Board will wish to consider all factors existing at the time an application to establish such a branch is requested.

At this point Mr. Sherman, Assistant Secretary, entered the room.

There had been sent to the members of the Board copies of a memorandum from Mr. Hexter dated March 30, 1956, relating to a further development in connection with the suit brought by Joseph Verhelle and others against the Banking Commissioner of Michigan seeking to compel the issuance of a charter to a proposed State bank in Detroit to be called the "Public Bank". On January 31, 1956, at the request of the Banking Commissioner, the Secretary of the Board of Governors executed an affidavit regarding the practice of the Board in acting upon applications for membership in the Federal Reserve System submitted on behalf of a State bank in process of organization, notwithstanding the fact that the State authorities may not have issued a charter to such bank or authorized it to conduct business, membership in the System in no case to become effective, however, prior to the incorporation of the bank under State authority. Under date of March 22, 1956, the Assistant Attorney General of the State of Michigan wrote to Mr. Hodge, General Counsel of the Federal Reserve Bank of Chicago, stating that counsel for Mr. Verhelle

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contended that the affidavit of the Board's Secretary contemplated by the language "process of organization" that the right of organization had been approved unconditionally by the State Commissioner. In order to refute this contention it was desired that Reserve Bank Vice President Diercks or some other person representing the Reserve Bank testify on April 11 and 12, 1956, at Lansing, Michigan, by responding to several questions which would be put to him relating to the general practice of the Board with respect to acting upon applications for membership and also to the Board's procedure in this specific case; that is, the Board's consideration and action on the application for membership which was submitted but subsequently withdrawn. In a letter dated March 23, Mr. Hodge transmitted the request to the Board, and in a subsequent telephone conversation with Mr. Vest, he stated that the Reserve Bank was reluctant to have Mr. Diercks testify at the trial because of questions which might be raised upon cross examination. Mr. Hodge suggested as an alternative that the Board might execute a second affidavit to make clear that a State bank is considered by the Board to be "in process of organization" if an application for permission to organize has been filed with the appropriate State authority, and that the Board does not require, as a prerequisite to its acting upon an application for membership, that the State authority shall have approved the organization of the State bank. Mr. Hexter's memorandum recommended, for reasons stated (1) that permission

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not be given for Mr. Diercks to testify, and (2) that a second affidavit not be furnished. A draft of letter to the Federal Reserve Bank of Chicago which would indicate that the Board did not consider it advisable to authorize Mr. Diercks to testify was submitted with the memorandum.

In a discussion of the matter, agreement was expressed with the recommendations made in Mr. Hexter's memorandum. In this connection, it was noted that earlier in the meeting the Board had approved an application for membership in the System submitted on behalf of the proposed Warren Bank, Warren, Michigan, and it was suggested that Mr. Hexter call Mr. Hodge on the telephone and bring this action to his attention, since it was indicative of the practice followed by the Board in such cases and the Michigan authorities might want to refer to it.

Thereupon, unanimous approval was given to a letter to the Federal Reserve Bank of Chicago reading as follows:

This is in response to Mr. Hodge's letter of March 23, enclosing copies of a letter from Maurice M. Moule, Assistant Attorney General of the State of Michigan, requesting Mr. W. R. Diercks to testify on April 11 and 12 at Lansing, Michigan, in the case of Joseph F. Verhelle et al. v. Maurice C. Eveland, Commissioner of Banking.

As you are aware, section 8(a) of the Board's Rules of Organization (12 CFR 261.3(a)) provides that

"Except as authorized by the Board, no person, whether or not an officer or employee of the Board or of a Federal Reserve Bank, shall disclose or permit the disclosure of any unpublished information of the Board to anyone...."

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The Board of Governors has given careful consideration to this matter, including the proposed questions and answers presented in Mr. Moule's letter, and has concluded that it would not be advisable to authorize Mr. Diercks to testify at the trial of this case.

It will be appreciated if you will inform Mr. Moule and Mr. Eveland of the Board's position.

Mr. Hexter then withdrew from the meeting.

Consideration was given to a memorandum from Governor Robertson dated March 30, 1956, copies of which had been sent to the members of the Board, regarding developments with respect to the proposed compromise bank merger legislation (in the form of an amendment to section 18(c) of the Federal Deposit Insurance Act) which was drafted by representatives of the three Federal bank supervisory agencies and which had been given consideration at recent meetings of the Board. In his memorandum Governor Robertson stated that pursuant to the discussion at the meeting on March 20, 1956, certain changes were made in the proposal, principally to require each of the bank supervisory agencies to consult with the other two agencies on the competitive aspects of any proposed merger or consolidation before reaching a decision. He also stated that the revised draft was submitted to Assistant Attorney General Barnes following concurrence in it by Deputy Comptroller of the Currency Jennings and Mr. Coburn, General Counsel for the Federal Deposit Insurance Corporation, and that Mr. Barnes replied in a letter dated March 28 that, for reasons

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stated, he continued to have serious objection to the proposed legislation. After setting forth arguments which might be made for and against legislation of this kind, the memorandum recommended that Governor Robertson be authorized to advise the Comptroller of the Currency and the Federal Deposit Insurance Corporation that the Board was in agreement with the proposal and would endorse it if called upon to report or testify on such a bill.

Governor Robertson made a statement in amplification of his memorandum in which he pointed out that the proposal originated with a suggestion from the staff of the Senate Banking and Currency Committee to Mr. Jennings that bank merger legislation be worked out which would be satisfactory to the three bank supervisory agencies. It appeared that the recommendation in the President's Economic Report for the enactment of bank merger legislation had left some doubt as to whether this was intended to convey an endorsement of the bill introduced by Representative Celler (H. R. 5948) which had now passed the House of Representatives and had been referred to the Senate Judiciary Committee, and that the suggestion by the Senate Banking and Currency Committee constituted an attempt to determine the Administration's point of view. In a subsequent conversation with Mr. Jennings, Mr. Saulnier, a member of the Council of Economic Advisers, indicated that the recommendation in the President's report was not intended to refer to any particular kind of legislation

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and that he (Mr. Saulnier) rather leaned toward a proposal such as had now been worked out by the supervisory agencies, although he recognized there might be differences of opinion. Governor Robertson went on to say that the matter had been taken up with Secretary of the Treasury Humphrey by the Comptroller of the Currency and the General Counsel for the Treasury, and that the Secretary consented to their sending a draft of the legislative proposal to the Bureau of the Budget.

After discussing the position taken by Assistant Attorney General Barnes, Governor Robertson said he understood that there had now been submitted to the Budget Bureau and to Mr. Saulnier by the Federal Trade Commission a draft of legislation which would follow the lines of bill H. R. 9424, introduced by Congressman Celler and reported out by the House Committee on the Judiciary, which would require all proposed corporate mergers above a certain size, including those involving banks, to be submitted in advance to the Attorney General and the agency vested with jurisdiction. In the circumstances, he raised for consideration whether the Board wished to act at this meeting along the lines of the recommendation contained in his memorandum or whether it would prefer, as an alternative, to send the draft of amendment to section 18(c) of the Federal Deposit Insurance Act to the Senate Banking and Currency Committee with a statement that it had been tentatively cleared by the three bank supervisory agencies. The alternative procedure would contemplate sending a copy of the draft to the Bureau of the Budget for its information.

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Mr. Cherry supplemented Governor Robertson's remarks by saying that the Senate Committee on the Judiciary might begin hearings shortly on H. R. 5948, but that according to the staff of the Senate Banking and Currency Committee it seemed possible that if the latter Committee had a proposed bank merger bill before it, the Judiciary Committee would defer hearings on H. R. 5948.

There followed a discussion of the alternative procedures suggested by Governor Robertson, during which reference was made to the views expressed by the Board previously with respect to H. R. 5948, the effect of that bill, and the features of H. R. 9424. During this discussion, some of the members of the Board expressed doubt that, despite the Board's position with respect to H. R. 5948, it would be advisable to send a legislative proposal direct to the Senate Banking and Currency Committee in view of the position taken by the Department of Justice and the fact that proposals had now been submitted to the Budget Bureau by the Federal Trade Commission and the Treasury. In all the circumstances, they felt that it might be preferable to await clearance by the Budget Bureau of the two current proposals.

It was then suggested that Governor Robertson be authorized to advise the Comptroller of the Currency and the Federal Deposit Insurance Corporation informally that the Board was in agreement with the proposed bill that the Treasury had submitted to the Budget Bureau and that, if

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called upon to report or testify on such a bill, the Board would take a favorable position.

This suggestion was approved unanimously. In this connection, it was also understood that Governor Robertson would send a letter to Assistant Attorney General Barnes in the form submitted with his memorandum of March 30 which would indicate that in view of Mr. Barnes' objections to the bank merger proposal which Governor Robertson sent to him, there would seem to be no reason for a further conference between Mr. Barnes and representatives of the bank supervisory agencies concerning the proposal.

Messrs. Sloan, Hackley, and Cherry then withdrew from the meeting.

A telegram was received yesterday afternoon from Mr. Bryan, President of the Federal Reserve Bank of Atlanta, which stated that the Bank's Executive Committee, under authority of the Board of Directors, had voted that day to establish, subject to review and determination of the Board of Governors, rates of 2-3/4 per cent on discounts and advances under sections 13 and 13a of the Federal Reserve Act, 3-1/4 per cent on advances under section 10(b), 3-3/4 per cent on advances under the last paragraph of section 13, and 3 - 5-1/2 per cent on advances under section 13b. In each case, the proposed rate represented an increase of 1/4 per cent above the existing rate, except that the maximum rate on advances under section 13b would represent an increase of 1/2 per cent.

Chairman Martin stated that President Bryan called him on the telephone late yesterday afternoon to say that he had been instructed

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by his directors to inform the Board that they would be glad if a situation did not prevail for any length of time whereby the discount rate of the Atlanta Bank was higher than that of the other Federal Reserve Banks. Chairman Martin said that he then called President Sproul, of the Federal Reserve Bank of New York, and told him of the action taken by the Atlanta Bank. He suggested that it might be appropriate for the Board also to advise the other Federal Reserve Banks. While on previous occasions this had been done through telephone calls by the Chairman, he thought that on this occasion it might be preferable to send the advice by telegram, in a form which would contain no suggestion as to what decision might be reached by the Board.

There followed a general discussion of the reasons for and against approving an increase in the discount rate at this time. The discussion included a report by Mr. Thomas on developments in the Government securities market, in which a substantial element of weakness appeared last week and had not moderated. It also included a report by Mr. Young on factors indicating strength in the economy generally and a prospective continuation or increase in the current heavy demand for credit.

Governor Mills said that although he believed a change in the discount rate might be indicated, he was not sure whether it would be advisable to approve such an increase at this time. He asked whether the Board was satisfied that the money market and commercial banking system

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had adjusted sufficiently to the very abrupt price decline in Government securities to justify adding to that situation by approval of the proposed increase in the Atlanta rate, particularly since such action would be interpreted by the entire financial community to mean that there would be a similar increase at the other Federal Reserve Banks.

Chairman Martin said he was not proposing that the Board reach any decision on the Atlanta rate today but merely that it notify the other Federal Reserve Banks of the Atlanta action. He felt that in any event the Board should wait until the directors of the New York Reserve Bank met on Thursday of this week. In response to a comment by Governor Mills that receipt of a telegram from the Board might be interpreted as indicating that a position had been taken by the Board, Chairman Martin said that in his opinion sending a telegram would carry less of that implication than calling the respective Reserve Bank presidents on the telephone. In response to another question from Governor Mills, Chairman Martin said that President Sproul did not express a definite opinion about a change in the discount rate at this time.

Governor Vardaman said that he was concerned about the wording of the telegram to the Federal Reserve Banks, and he inquired whether it might be possible to arrange for President Bryan to notify the other Reserve Banks of the action taken by the Atlanta directors. He also stated that he considered the matter of timing important and that he had hoped personally that the Reserve Banks might move to a discount rate of 3 per cent.

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With respect to Governor Vardaman's comments, Chairman Martin said that he felt the Board should notify the other Reserve Banks in view of the responsibilities vested in it under the law. He also said while he himself would not be averse to a 3 per cent discount rate, he felt that the initiative should rest with the Reserve Banks.

Governor Szymczak said that he also was concerned about the implication which might be drawn from a telegram to the Federal Reserve Banks and suggested as an alternative that a member of the Board's staff might be designated to advise the Reserve Banks by telephone. He went on to say that he was inclined to lean against approving an increase in the Atlanta rate at this time and to feel that action perhaps should be deferred until as late as the week of April 16, by which time other Reserve Banks might have acted to increase their rates.

In a discussion of the procedure suggested by Governor Szymczak, the view was expressed that a staff member who was called upon to inform the Reserve Banks by telephone of the Atlanta action might find it difficult to avoid giving at least an impression of his views.

Governor Mills pointed out that at present the pressure for reserves was on the central reserve city banks. For this reason he mentioned the possibility of reducing the reserve requirements applicable to that class of member banks to an extent which would provide about the same amount of reserves that would otherwise be supplied through the purchase

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of Treasury bills by the Federal Reserve System. If the discount rate were increased at the same time, he felt this would indicate to the market that the System had every intention of supplying reserves within reason to meet legitimate demands for credit, and on the other hand confirm the fact that the System approved the adjustment in yields in Government securities. The actions also would indicate that the System was continuing a policy of restraint through influencing the cost of credit and the supply of reserves.

Governor Shepardson said that he felt an increase in the discount rate was called for but that he was not certain as to the matter of timing. He was impressed by a statement made by Mr. Riefler that the Board should not reach any understanding which would preclude it from taking action before a particular date. He was inclined personally to think that the action should be taken sooner than the date which Governor Szymczak had mentioned.

Governor Vardaman, who had previously expressed tentative agreement with Governor Szymczak's views as to timing, said that he also was impressed by what Mr. Riefler had said and thought that it might be well for the Board to have a discussion on the discount rate within the next day or two.

Chairman Martin responded that the members of the Board should keep the situation very much in mind. He said that if the New York Bank

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acted to increase the rate at the meeting of the directors on Thursday, it was his personal view that the Board would be justified in giving its approval.

At the conclusion of the discussion, unanimous approval was given to a telegram to the Presidents of all Federal Reserve Banks except Atlanta reading as follows, with the understanding that a telegram would be sent to President Bryan advising him that such a wire had been sent to the other Reserve Banks:

Confidential. This is to inform you that Atlanta Bank has established, subject to approval by Board of Governors, a discount rate of 2-3/4 per cent. No decision made by Board whether it will approve.

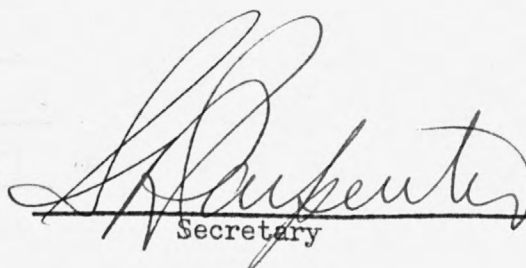
Unanimous approval also was given to telegrams to the Federal Reserve Banks of Boston and San Francisco approving the rates of discount and purchase established without change by those Banks on March 26 and 28, 1956, respectively.

Governor Robertson stated that a meeting of the Inter-Agency Committee on Bank Supervisory Matters was to be held today and inquired whether the other members of the Board had suggestions on matters which should be taken up at that meeting. No suggestions were made by the other members of the Board.

The meeting then adjourned.

Gov. Robertson

Gov. Robertson


Secretary