

Minutes for September 17, 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>(m)</u>	_____
Gov. Szymczak	x <u>[Signature]</u>	_____
Gov. Vardaman	x <u>[Signature]</u>	_____
Gov. Mills	x <u>[Signature]</u>	_____
Gov. Robertson	x <u>[Signature]</u>	_____
Gov. Balderston	x <u>[Signature]</u>	_____
Gov. Shepardson	x <u>[Signature]</u>	_____

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 17, 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. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser to the Board
 Mr. Leonard, Director, Division of Bank
 Operations
 Mr. Vest, General Counsel
 Mr. Young, Director, Division of Research
 and Statistics
 Mr. Sloan, Director, Division of Examinations
 Mr. Solomon, Assistant General Counsel
 Mr. Hackley, Assistant General Counsel
 Mr. Noyes, Adviser, Division of Research and
 Statistics
 Mr. Molony, Special Assistant to the Board

Consideration was given to Mr. Vest's memorandum dated September 7, 1956, a copy of which had been sent to each member of the Board, submitting for consideration a list of possible amendments to Federal Reserve law which might be sent to the Senate Banking and Currency Committee in connection with that Committee's study, under the acting chairmanship of Senator Robertson, of the Federal statutes relating to financial institutions and credit. Pursuant to a previous understanding, the memorandum contained an indication of the views of selected members of the

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Board's staff on each item. Disposition of some of the items in the memorandum was decided upon by the Board at its meeting on Friday, September 14, 1956, in connection with the review of a memorandum from Mr. Hackley dated September 12, 1956. There follows a brief description of the remaining items listed in Mr. Vest's memorandum, together with a statement of the position taken by the Board in each case. Agreement to include the item should be understood to mean that the Board's staff was requested to prepare the legislative suggestion in a form suitable for submission to the Committee, subject to final clearance by the Board.

Term and Number of Members of Board. An amendment reducing the term of appointment of Board members from 14 years to 10 years or perhaps 6 years, with no prohibition upon reappointment, and reducing the number of members from 7 to 5.

Qualifications of Board Members. An amendment eliminating the requirement of the law that not more than one member of the Board shall be selected from any one Federal Reserve District. Such a change could be made either with or without a change in the provisions of law that direct the President, in selecting members of the Board, "to have a due regard to a fair representation of the financial, agricultural, industrial, and commercial interests and geographical divisions of the country."

Salaries of Board Members. An amendment increasing the salary of the Chairman of the Board to that of the heads of executive departments (now \$25,000) and the salaries of other Board members to amounts bearing a reasonable relation thereto.

Term of Chairman and Vice Chairman of the Board. An amendment providing that the President shall designate the Chairman and Vice Chairman of the Board for terms expiring at the end of the month of March next following the commencement of each Presidential term.

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Composition of Federal Open Market Committee. A reduction in number of the Federal Reserve Bank Presidents on the Federal Open Market Committee (if the number of members of the Board should be reduced) so as to maintain as far as possible the present ratio between members of the Board of Governors and the Federal Reserve Bank Presidents.

Functions of Federal Open Market Committee. More fundamental changes in the Federal Open Market Committee might be considered, including the possible transfer of Open Market functions to the Board or of some of the Board functions in the credit field to the Committee.

In each of these cases it was agreed to drop the item as being outside the scope of the current Committee study as defined by Senator Robertson.

Federal Reserve Audits and Budgets. A requirement that the accounts of the Board of Governors be subject to a post-audit by the General Accounting Office, with the authority of the Comptroller General limited to reporting to Congress expenditures which he considers to be improper and to making such suggestions as he considers appropriate, together with a requirement that annual audits of the 12 Reserve Banks be made by an outside auditor appointed by the directors of the Reserve Bank and approved by the Board of Governors and that full reports thereof be filed with the Banking and Currency Committees of each House of Congress. A possibility which the Board might wish to consider in this connection would be a requirement in the law that the Board in its reports to Congress specify with some particularity the financial details of its budget and expenditures and those of the Federal Reserve Banks.

It was agreed to defer this item for further consideration.

Reports from Financial Institutions Other Than Member Banks; Exemption from Federal Reports Act. An amendment authorizing the Board to require reports from financial institutions other than member banks. Consideration might also be given

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to an amendment exempting reports obtained by the Board from the requirements of the Federal Reports Act.

Following a presentation of reasons why it would be helpful to have authority to require reports from financial institutions other than member banks in recognition of the Board's responsibilities in the monetary and credit area, and expressions of doubt by Governors Mills and Vardaman concerning the advisability and practicability of seeking any further authority in this respect at the present time even though it might be helpful to have such authority, it was suggested that Messrs. Riefler and Young prepare for the Board's further consideration a memorandum outlining the basis for proposing an extension of the Board's authority.

Reports from Member Banks for Supervisory Purposes. An amendment to the law broadening and clarifying the authority of the Board and the Federal Reserve Banks to obtain reports from member banks for supervisory purposes. Such an amendment might authorize the prescribing of different report forms for different groups of banks (such as banks in central reserve cities, reserve cities, and others or large banks on the one hand and small banks on the other); might make it possible to require reports on a sample basis; might authorize the Board to require publication periodically of earnings reports of member banks; might authorize the waiving of publication of reports of condition where publication under State law is adequate; and might possibly require a bank to publish separate condition reports with respect to branches in each city where it operates. It is probable that the Board already has some of the authority specified in this paragraph, and to this extent the amendment would be merely clarifying. The proposal of such amendments would, of course, suggest to the other Federal bank supervisory authorities that they be given similar power.

Following a statement on the possibilities of simplified reporting inherent in such a proposal, it was agreed that the staff should put the proposal in form suitable for submission to the Committee, with the understanding that a final decision on whether to include the item would be made when the actual language was available.

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Assignment of Duties of Governors. An amendment authorizing the Board of Governors to assign to designated members of the Board or its representatives, under rules and regulations prescribed by the Board, the performance of specific duties and functions, not including the determination of national or System policies, the power to make rules and regulations, or any power which under the Act is required to be exercised by a specified number of members of the Board.

Policy Record of Board and Open Market Committee. An amendment repealing the provisions of section 10 of the Federal Reserve Act which require the maintenance and submission to Congress of a record of policy actions taken by the Board of Governors and the Federal Open Market Committee.

It was agreed to drop these items.

Objectives of Federal Reserve Policies and Their Relation to Governmental Economic Policies. A specific mandate to the Federal Reserve Board and to the Secretary of the Treasury as to the objectives which they should endeavor to accomplish in carrying out their statutory functions and possibly requiring the Treasury to conform its policies to those of the Federal Reserve.

It was agreed to drop this item as being outside the scope of the current study.

Coordination of Fiscal and Debt Management with Credit and Monetary Policies. An amendment to establish an inter-agency council of a consultative and advisory type to coordinate fiscal and debt management policies with credit and monetary policies.

It was agreed to drop this item, with the understanding that thought would be given to a proper expression of the Board's views should the proposal be made by other parties and the Board be called upon for comment.

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Coordination of Government Lending Activities with Credit and Monetary Policies. An amendment setting up an inter-agency council to coordinate the lending activities of various Government agencies in the lending field with the credit and monetary policies of the Government.

The decision and understanding were the same as with respect to the preceding item.

Reserve Requirements. Legislation amending or revising and extending the present statutory provisions relating to reserve requirements of member banks.

Suspension of Reserve Requirements. An amendment to section 11(c) of the Federal Reserve Act to eliminate the requirement for the establishment of a graduated tax upon reserve deficiencies in the event of a suspension of reserve requirements by the Board pursuant to that section.

Standby Powers over Consumer and Real Estate Credit. An amendment which would authorize the Board to fix maximum loan values and maximum maturities in connection with extensions of both consumer and real estate credit.

Standby Voluntary Credit Restraint Authority. An amendment to the law restoring to the President or to the Board authority to sponsor voluntary credit restraint programs when needed.

Direct Purchases of Government Securities. An amendment making permanent the authority which will expire June 30, 1958, for Federal Reserve Banks to purchase Government obligations directly from the United States up to an aggregate outstanding amount of \$5,000,000,000.

It was agreed to drop these items.

Eligibility of Any Sound Assets for Reserve Bank Credit. An amendment permitting advances by Federal Reserve Banks to member banks on any satisfactory assets subject to regulation by the Board and to rates established by the Federal Reserve Banks subject to review and determination by the Board.

In view of the recognized difficulty in drafting a proposal to

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cover this point without infringing on related areas and giving rise to discussion of basic problems in respect to the discount function, it was decided to eliminate this item.

Authority for Different Discount Rates. An amendment expressly authorizing the establishment of varying Federal Reserve discount rates based upon the character of the paper offered, the maturity of the credit, the practices of the borrowing member bank with respect to continuity of borrowing or with respect to the types of its own loans and investments, or other appropriate standards.

It was decided to pass over this item for the purposes of the initial submission to the Committee, with the understanding that it would be given further consideration if circumstances surrounding the Committee's study make it appear at a later date that a proposal of this nature would be appropriate.

Procedure for Determining Discount Rates. An amendment eliminating the requirement of the statute that discount rates be established every 14 days. In lieu thereof, it might be required that such rates be established monthly or more frequently upon specific suggestion of the Board, with a continuation of the provision that the rates be "subject to review and determination by the Board".

It was agreed to drop this item.

Credit Facilities for Nonmember Banks. An amendment giving to all banks, whether members or nonmembers, access to the credit facilities of the Federal Reserve Banks.

Margin Requirements on Securities. An amendment to the Securities Exchange Act to provide that margin requirements on loans for the purpose of purchasing or carrying securities shall be fixed at a specific percentage, say 50 per cent, in the law, thus eliminating flexible action from time to time on the part of the Board of Governors.

It was agreed to pass over these items, at least for the purpose of the initial submission to the Committee.

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Loans on Unregistered Securities. An amendment to authorize the Board to apply margin requirements to bank loans (under Regulation U) to purchase securities not registered on an exchange.

Inasmuch as Senator Fulbright had introduced a bill in the last Congress that would cover this point among other things, it was agreed that this item would not be submitted to the Robertson Committee. It was understood, however, that if Senator Fulbright again introduced his bill, as he had indicated was his intention, the Board again would endorse the general purposes of the bill and the specific provisions relating to margin requirements.

Currency Stabilization Credits. An amendment to make it clear that Federal Reserve Banks may extend credit to foreign central banks without following technical requirements of establishing accounts with the central bank or purchasing commercial paper through the central bank.

Since it was felt that the suggested clarification of authority might be misunderstood as an effort to obtain expanded powers and therefore become a controversial issue, it was decided to pass over this item.

Regulation of Nonbank Credit. An amendment authorizing the Board to regulate certain kinds of credit, particularly non-bank credit, which may not be sufficiently influenced by the usual general instruments of credit control or the existing selective control of stock market credit.

It was agreed to drop this item as being outside the scope of the current study.

Limitation on Cost of Federal Reserve Branch Buildings. An amendment eliminating the statutory limitations on the aggregate amount which Federal Reserve Banks may expend for branch

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bank buildings or, in the alternative, increasing the aggregate limit of present law from \$30,000,000 to some higher figure.

It was agreed to include this item in a form which would suggest eliminating the statutory limitation.

Payment of Reserve Bank Earnings to Treasury. An amendment requiring Federal Reserve Banks to pay 90 per cent of their net earnings after expenses and dividends to the Treasury as a franchise tax. An alternative to a franchise tax might be an amendment directly authorizing the Board to require the Federal Reserve Banks to transfer a portion of their earnings to the Treasury, without having to relate the requirement to such a complicated base as Federal Reserve notes outstanding in excess of gold certificate collateral.

Following a discussion of the relative merits of a franchise tax and the suggested alternative procedure, it was understood that both proposals would be written up by the staff for the Board's further consideration.

Taxation of Federal Reserve Bank Stock. An amendment providing that the dividends on the stock of Federal Reserve Banks, regardless of when issued, should be subject to Federal income taxation in the same manner as other income.

Following a statement of possible differences of opinion with regard to legal aspects of such a proposal, the view was expressed that the desirability of placing all member banks on a uniform basis was sufficiently important to override the legal technicalities referred to and it was agreed that the item should be included.

Reserves against Federal Reserve Notes and Deposits. An amendment reducing or perhaps eliminating the requirement that Federal Reserve Banks maintain a reserve of gold certificates of 25 per cent against deposits and Federal Reserve notes.

It was decided to pass over this item.

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Federal Reserve Notes. Amendments to section 16 of the Federal Reserve Act simplifying procedures relating to the issuance and redemption of Federal Reserve notes and eliminating unnecessary or outmoded provisions.

It was agreed that this item should be included insofar as the proposal related to bringing up to date or eliminating unnecessary or outmoded provisions but that the proposal should not comprehend fundamental changes. The staff was requested to consult with the Office of the Comptroller of the Currency to obtain assurance that the amendments proposed by the Board to the Robertson Committee would be acceptable to that Office.

Par Clearance. An amendment permitting banks which are actually making exchange charges at this time to continue to do so but forbidding other banks to initiate the practice under appropriate civil penalties.

In view of the controversial nature of the suggested amendment, it was decided to pass over this item.

Federal Reserve Bank Stock and Directors. An amendment to eliminate the capital stock of the Federal Reserve Banks by paying to the member banks the amounts which they have paid in for such stock, together with accrued dividends thereon. Coupled with any consideration of such an amendment might be another eliminating the election by the member banks of some or all of the six directors whom they now elect.

Labor Representation on Federal Reserve Bank Directorates. An amendment requiring that at least one of the Class C directors, or possibly one of the Class B directors, of each Federal Reserve Bank be associated with some labor organization.

It was agreed to eliminate these items.

Term of Federal Reserve Bank Presidents. An amendment reducing the term of appointment of Federal Reserve Bank Presidents and Vice Presidents.

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Elimination of First Vice Presidents. An amendment which would eliminate the office of First Vice President from the Federal Reserve Banks, so that the President would be the only officer of a Federal Reserve Bank appointed subject to the approval of the Board of Governors.

It was decided to pass over these items.

Procedure for Electing Class A and B Directors of Federal Reserve Banks. An amendment revising the procedure for the election of Class A and B directors of Reserve Banks. The procedure is set forth in detail in the law but it could be simplified either by replacing it with authority for the Board to cover the subject by regulation, or perhaps by writing simpler procedure in the law.

Although sentiment was expressed that some change in procedure probably would be desirable, it was agreed that any proposal for a different procedure would involve controversy and might be regarded as a fundamental change in concept. Accordingly, it was decided to pass over this item.

Supervision by Board of Fiscal Agency Operations. An amendment giving the Board specific regulatory authority with respect to the operations of the Federal Reserve Banks as fiscal agents of the United States and of various Government agencies.

Following a discussion during which the need for clarification of the authority of the Board to regulate fiscal agency operations of the Federal Reserve Banks was emphasized, the staff was requested to prepare alternative proposals so that the Board might consider further how a legislative suggestion might most appropriately be phrased.

Approval of Expenses of Federal Reserve Banks. An amendment specifically requiring the approval of the Board of Governors for expenses of the Federal Reserve Banks, such as compensation paid consultants or expenditures of a major character.

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Branches of Reserve Banks. An amendment to eliminate the boards of directors of branches of Federal Reserve Banks.

It was agreed to drop these items.

Changes in Bank Holding Company Act. Amendments to clarify certain provisions of the Bank Holding Company Act and to remove obstacles to administration.

Holding Company Affiliates. An amendment repealing existing provisions of law relating to holding company affiliates of member banks, including the voting permit requirements of section 5144 of the Revised Statutes.

It was agreed to defer any suggestions for amendments to the Bank Holding Company Act of 1956 pending further experience under the Act, but it was decided to have the staff prepare for the Board's further consideration a proposal to repeal existing provisions of law relating to holding company affiliates of member banks, including the voting permit requirements of section 5144.

Merger of Federal Bank Supervision. A revision of the banking law so as to merge into one Federal banking authority the three principal Federal supervisory agencies - the Board of Governors, the Comptroller's Office, and the Federal Deposit Insurance Corporation.

It was agreed to pass over this item.

Increases of Capital of Member Banks. An amendment specifically authorizing the Board to require State member banks to increase their capital when, in the judgment of the Board, it is not adequate.

It was agreed not to include this item among those submitted to the Committee in view of the pendency of an administrative proceeding involving a request that a State member bank increase its capital. It was understood that if this proceeding did not clarify the Board's authority, the Board might

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wish to consider going to the Congress with a request for appropriate legislation.

Different Means of Obtaining Deposit Insurance. An amendment providing that any bank, or group organizing a bank, which by action of any of the three Federal supervisory agencies has been precluded from obtaining deposit insurance shall not be eligible to receive the benefits of deposit insurance through either of the two agencies for a period of at least twelve months.

It was agreed to drop this item.

Changes in Edge Act. Amendments to the Edge Act (section 25(a) of the Federal Reserve Act) to broaden the scope of the activities of Edge Act corporations and to reduce the supervision to be exercised by the Board of Governors with respect to such corporations. On the other hand, consideration might be given to amendments which would restrain rather than broaden the activities of Edge Corporations, particularly those carried on in this country.

Since the Board was not ready to propose anything specific at this time, it was decided to pass over this item.

Meaning of "Interest" on Deposits. An amendment repealing the present statutory prohibition against payment of interest on demand deposits or, in the alternative, eliminating the words "directly or indirectly, by any device whatsoever" from the present prohibition, with a further indication either in the statute itself or in its legislative history that the term "interest" should include only cash payments or credits for the benefit of a depositor. If any amendment should be proposed, it would be desirable, of course, to make it clear that member banks and nonmember insured banks should be subject to the same limitations, although it is recognized that differences in interpretation may continue to arise.

While it was recognized that this subject was controversial, the view was expressed that a proposal should be included in the material sent to the Robertson Committee which, in any event, would suggest that the same limitations be applicable to both member and insured

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nonmember banks. Accordingly, the staff was requested to prepare a proposal for the Board's further consideration which would suggest uniformity of application and would also suggest a definition of "interest" restricted to cash payments made, or credits given, by a bank for the account or benefit of a depositor. In this connection, the staff was requested to contact the Federal Deposit Insurance Corporation to determine whether it would be possible to reach agreement at staff level on a legislative suggestion.

Maximum Rates of Interest on Time and Savings Deposits. An amendment repealing present provisions of law with respect to maximum rates of interest on time and savings deposits or, in the alternative, authorizing the Board in its discretion to fix such maximum rates instead of the present mandatory requirement. A lesser change in the statute would be to eliminate the present mandatory requirement that different maximum rates be fixed by the Board on the basis of one or more of the four standards prescribed in the statute (maturities, different conditions as to withdrawal, different locations, or varying discount rates), and to authorize the Board to fix such rates on such basis as it deems most appropriate. This would permit the Board to fix a single maximum rate if it so desired.

It was agreed to pass over this item since it appeared to fall outside the scope of the present study.

Circulation of False Statements about Member Banks. An amendment to make it a crime to circulate false statements about a member bank.

Certification of Checks against Uncollected Items. An amendment making it clear that the criminal prohibition against certification of checks against amounts not on deposit with a bank does not apply to the action of a bank officer or employee in certifying in good faith a check against items received by the bank but which are still in process of collection.

It was agreed to drop these items since they appeared to be of relatively little importance.

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Use of Banking Quarters for Other Purposes. An amendment which would prevent a member bank or insured nonmember bank from sharing office space with any other financial organization (such as one engaged in the business of banking, savings and loan, brokerage, securities, insurance or trusts) in any manner which might cause public confusion as to the separate identity of the bank, and thus might cause embarrassment to the bank if the other organization should experience financial difficulty.

In view of the relative unimportance of this item and the fact that the subject might prove controversial, it was decided to pass over this item.

Branch Banking. An amendment to clarify the meaning of the term "branch" for all banks operating under Federal supervision, particularly to indicate the circumstances under which drive-in facilities and the use of armored cars in picking up deposits and delivering payrolls constitute the operation of branches.

In view of current developments in this area which, when resolved, might shed more light on the problem, it was agreed to drop this item for the purposes of the submission to the Robertson Committee.

At this point Mr. Masters, Assistant Director, Division of Examinations, was called into the room.

Trust Department Matters. Amendments to the law relating to fiduciary activities of national banks under section 11(k) of the Federal Reserve Act, the Board's duties in relation thereto, and the possible application thereof to member State banks.

- (1) Granting of Trust Powers. An amendment to make the granting of trust powers to national banks a function of the Comptroller's Office rather than of the Board.
- (2) Application of Section 11(k) to Member State Banks. An amendment to make the requirements and limitations with respect to fiduciary activities of national banks

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applicable also to member State banks, on the theory that these limitations presumably reflect the views of Congress regarding proper standards for trust department of banks under Federal supervision.

It was decided to drop the first of these items and pass over the second.

- (3) Pledging Securities for Trust Funds. An amendment to free national banks from the necessity for pledging securities for trust funds used in the banking department to the extent that such funds are insured by the Federal Deposit Insurance Corporation. Since 1942, deposits of public moneys in member banks have not been required to be secured to the extent that they constituted insured deposits. Also an amendment making it clear that a deposit of securities must be made to secure trust funds used by a national bank in its banking department whether such funds are considered as deposits or are investments.

In this connection it may be desirable also to provide that the requirement for pledge of securities is applicable only to funds held in trust by the bank and not to funds held only in a custodial capacity.

It was noted that at the meeting of the Board last Friday, it was understood that the staff would prepare a memorandum discussing this suggestion in more detail so that the Board would have a better basis for consideration of the matter.

- (4) Capital and Surplus Required for Trust Powers. An amendment to provide more specific requirements regarding adequate capitalization of banks exercising fiduciary powers, in lieu of the present language referring to capital and surplus "sufficient under the circumstances of the case, the needs of the community to be served, and other facts and circumstances."

It was decided to drop this item.

- (5) Revocation of Trust Powers of National Banks. An amendment to authorize the Board, on complaint by the

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Comptroller of the Currency, to revoke trust powers of national banks if it is determined, after hearing, that such powers are being unlawfully or improperly exercised. In this connection it has also been suggested at times that the Board should have authority when granting trust powers to prescribe such conditions or requirements in connection therewith as it might deem necessary or desirable.

It was agreed to include a suggestion for an amendment relative to the revocation of trust powers.

- (6) Enumeration of Fiduciary Powers. An amendment authorizing the Board to grant to national banks the right to act in certain specific capacities of a fiduciary or quasi-fiduciary nature, such as transfer agent, agent, custodian, in addition to the eight fiduciary capacities (trustee, executor, etc.) now specified in the law, as well as "in any other fiduciary capacity" in which competing State banks are permitted to act.

It was agreed to pass over this item.

Publication of Reports of Examination. An amendment giving to the Board the same power to publish reports of examination of State member banks or their affiliates as is now given to the Comptroller of the Currency in connection with national banks and their affiliates for failure to comply with recommendations or suggestions of the supervisory authority based on examinations thereof.

It was agreed that this item would be dropped.

Acceptances by State Member Banks. An amendment to make limitations on the kinds of bankers' acceptances which may be made by national banks also applicable to State member banks, thus placing both types of banks on the same basis.

It having been noted that there are other situations where national and State member banks are not on a parity, it was decided to pass over this item.

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Investments in Bank Premises. An amendment to permit member banks, without prior approval by the Board or the Comptroller of the Currency, to invest in bank premises up to 100 per cent of their capital stock and surplus in lieu of the present 100 per cent limitation based on capital stock alone. At the same time, if such an amendment should be proposed, it might be desirable to consider a lowering of the present 100 per cent limitation. It might also be worthwhile in this connection to consider the desirability of incorporating a definition of "bank premises" in the statute.

It was agreed to drop this item.

Stock Acquisitions in Connection with Absorptions. An amendment permitting the temporary acquisition and holding of the stock of a bank by another bank absorbing such bank. The law might be clarified so as specifically to authorize such stock acquisitions notwithstanding existing provisions of law prohibiting member banks from acquiring stock.

It was agreed that this item should be included.

Enforcement Measures. An amendment to the law authorizing the Board to seek injunctions against violations of provisions of the statutes administered by it and perhaps also an amendment providing daily money penalties for the continuance of violations which might be enforced by deductions from an offending member bank's reserve account.

Since it was suggested that a proposal of this kind could be very controversial, it was decided to pass over this item.

This concluded the discussion of the items listed in Mr. Vest's memorandum, disposition of the remaining items having been decided upon at the meeting on Friday, September 14. It was understood that those items which it had been decided to include in the initial submission to the Robertson Committee would now be put in form appropriate for transmission to the Committee and that they would be finally reviewed by the

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Board in such form, at which time the Board also would give further consideration to the items as to which a definite decision was not made. It was stated that legislative suggestions had now been received from the Federal Reserve Banks and that the letters from the Banks had been copied for distribution to the members of the Board. A substantial number of the Reserve Bank suggestions, it was noted, represented duplications of the items already considered by the Board. There was agreement with a suggestion by Chairman Martin that the Board begin its review of the comments from the Reserve Banks at a meeting on Wednesday, September 19.

Governor Robertson recommended that the Board authorize a full-field investigation for Roland I. Robinson, Adviser in the Division of Research and Statistics, to clear Mr. Robinson for access to classified security information and that, pending the completion of the investigation, Mr. Robinson be granted emergency administrative security clearance.

Governor Robertson's recommendation was approved unanimously.

The meeting then adjourned.

Secretary's Note: During the day Governor Shepardson approved memoranda from appropriate individuals concerned recommending actions with respect to the Board's staff as follows:

Salary increases, effective September 23, 1956

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Bank Operations</u>		
Mary Malinchock, Statistical Clerk		\$3,500	\$3,585

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Salary increases, effective September 23, 1956 (continued)

<u>Name and title</u>	<u>Division</u>	<u>Basic annual salary</u>	
		<u>From</u>	<u>To</u>
	<u>Examinations</u>		
Norma L. Neitzey, Clerk-Stenographer		\$4,075	\$4,210
	<u>Administrative Services</u>		
Flora J. Griffith, Chief Telephone Operator		4,210	4,345
Bishop Hart, Supply Clerk		3,515	3,600
Aubrey L. Simmons, Guard		3,300	3,385
Joseph J. Yilek, Clerk		3,840	3,925

Transfers

Stephen H. Axilrod, from the position of Economist in the Division of International Finance to the position of Economist in the Division of Research and Statistics, with no change in his present basic salary of \$7,570 per annum, effective the date he assumes his new duties.

Shirley Ann Barham, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Research and Statistics, with no change in her present basic salary of \$3,415 per annum, effective the date she assumes her new duties.

Kathleen Wilcox, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Clerk-Stenographer in the Division of Bank Operations, with no change in her present basic salary of \$3,415 per annum, effective September 24, 1956.

Acceptance of Resignations, effective September 21, 1956

Stella M. Cornell, Clerk-Stenographer, Division of Bank Operations.

Daisy Ferguson, Cafeteria Helper, Division of Administrative Services.

Change in official headquarters

Change in the official headquarters of Stan G. Monsted, Assistant Federal Reserve Examiner in the Division of Examinations, from Washington, D. C., to Denver, Colorado.

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During the day Governor Shepardson also approved on behalf of the Board the following letters to Mr. Stetzberger, Vice President of the Federal Reserve Bank of Cleveland:

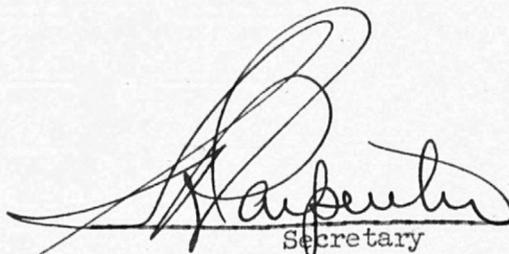
In accordance with the request contained in your letter of September 10, 1956, the Board approves the designation of the persons whose names appear below as special assistant examiners for the Federal Reserve Bank of Cleveland.

George H. Claus	Stephen C. Morovich, Jr.
Ernest P. Descamps	David Peck
Robert E. Fisher, Jr.	Charles A. Powell
Warren H. Fry	Joseph P. Rupert
Ivar C. Johnson	Carl G. Weaver

In accordance with the request contained in your letter of September 12, 1956, the Board approves the designation of the following persons as special assistant examiners for the Federal Reserve Bank of Cleveland:

James I. Royer	Fred Brewer
Charles Beck	John C. Daugherty
Thomas Dorgan	Arthur Kessnick
Earl Snyder	Ronald Barnett
Ralph R. Voss	

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


Secretary