

Minutes for December 10, 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	<u>X</u> <i>(initials)</i>	_____
Gov. Szymczak	<u>X</u> <i>(initials)</i>	_____
<u>1/</u> Gov. Vardaman	_____	<u>X</u>
Gov. Mills	<u>X</u> <i>(initials)</i>	_____
Gov. Robertson	<u>X</u> <i>(initials)</i>	_____
Gov. Balderston	<u>X</u> <i>(initials)</i>	_____
Gov. Shepardson	<u>X</u> <i>(initials)</i>	_____

1/ The attached set of minutes was sent to Governor Vardaman's office in accordance with the procedure approved at the meeting of the Board on November 29, 1955. The set was returned by Governor Vardaman's office with the statement (see Mr. Kenyon's memorandum of February 12, 1957) that hereafter Governor Vardaman would not initial any minutes of meetings of the Board at which he was not present. Therefore, with Governor Shepardson's approval, these minutes are being filed without Governor Vardaman's initial.

A special meeting of the Board of Governors of the Federal Reserve System was held in the Board Room on Monday, December 10, 1956, at 2:35 p.m.

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

Mr. Carpenter, Secretary
Mr. Riefler, Assistant to the Chairman
Mr. Young, Director, Division of Research
and Statistics
Mr. Marget, Director, Division of International Finance
Mr. Furth, Chief, Financial Operations
and Policy Section, Division of
International Finance

Mr. Hayes, President, Mr. Treiber, First Vice President, Mr. Exter, Vice President, and Mr. Norman P. Davis, Assistant Vice President, of the Federal Reserve Bank of New York, were also present to discuss the request of the Federal Reserve Bank of New York for an increase to \$100 million in the limit fixed by the Board on the amount of bankers' acceptances that may be purchased by the New York Bank and held at any one time for the account of foreign central banks.

Mr. Exter reviewed the problem as seen at the Federal Reserve Bank of New York and as outlined in the memorandum accompanying Mr. Hayes' letter of October 30, 1956. He discussed the background of the New York request from the standpoint of (a) the history and current characteristics of the bankers' acceptance market, (b) the view of the Federal Reserve Bank of New York that the increased authority was needed to enable the Bank to meet the needs of its foreign central bank correspondents most effectively,

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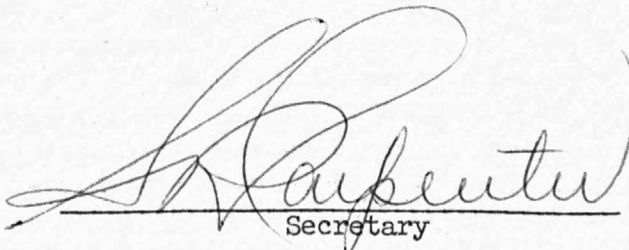
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(c) the extent to which the transactions of foreign central banks in the American markets should be channeled through the Federal Reserve Bank, and (d) the reasons for the proposal of the New York Bank that the commission charged by the Bank on acceptances purchased be reduced from 1/8 to 1/16 per cent.

During a long discussion of these points question was raised as to what should be the over-all relationship of the Federal Reserve Bank of New York, as the Reserve Bank in the principal financial center of the United States, to foreign central banks. Mr. Exter said that while the present officers of the Bank have been doing some thinking on that problem, he did not think they were prepared at this time to say what their agreed position on that question would be.

No conclusions were reached as a result of the discussion and it was understood that the Board of Governors would give further consideration to the request of the New York Bank for an increase in the existing limitation.

The meeting then adjourned.



Secretary