

Minutes for October 7, 1957

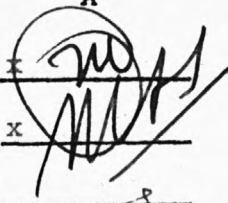
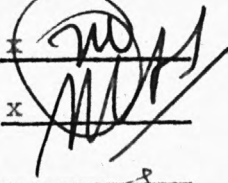
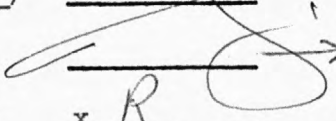
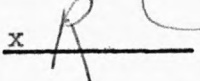
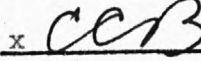
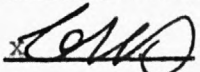
To: Members of the Board

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	<input checked="" type="checkbox"/> 	_____
Gov. Szymczak	<input checked="" type="checkbox"/> 	_____
Gov. Vardaman <u>1/</u>	_____	<input checked="" type="checkbox"/> _____
Gov. Mills		<input checked="" type="checkbox"/> _____
Gov. Robertson	<input checked="" type="checkbox"/> 	_____
Gov. Balderston	_____	<input checked="" type="checkbox"/> 
Gov. Shepardson	<input checked="" type="checkbox"/> 	_____

1/ In accordance with Governor Shepardson's memorandum of March 8, 1957, these minutes are not being sent to Governor Vardaman for initial.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, October 7, 1957. The Board met in the Board Room at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
 Mr. Szymczak
 Mr. Robertson
 Mr. Shepardson

Mr. Carpenter, Secretary
 Mr. Kenyon, Assistant Secretary
 Mr. Thomas, Economic Adviser to
 the Board
 Mr. Hackley, General Counsel
 Mr. Masters, Director, Division
 of Examinations
 Mr. Cherry, Legislative Counsel
 Mr. Farrell, Assistant Director,
 Division of Bank Operations
 Mr. Solomon, Assistant General
 Counsel
 Mr. Benner, Assistant Director,
 Division of Examinations

Extension of time for establishment of branch (Item No. 1).

There had been circulated to the members of the Board a draft of letter to the Federal Reserve Bank of San Francisco extending the time for Bank of Belmont Shore, Long Beach, California, to establish a branch in Seal Beach.

As recommended by the Division of Examinations, the letter, of which a copy is attached hereto as Item No. 1, was approved unanimously.

Discount rates. Telegrams to the following Federal Reserve Banks approving the establishment without change of the rates on discounts and advances in their existing schedules were approved unanimously:

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Atlanta	September 30
New York	October 3
Philadelphia	October 3
Chicago	October 3
Minneapolis	October 3

Letter to Congressman Patman (Item No. 2). Pursuant to the understanding at the meeting on October 3, 1957, there had been distributed to the members of the Board copies of a draft of letter to Congressman Patman concerning the request in his letter of September 26, 1957, for copies of certain confidential memoranda prepared in connection with examinations of the Federal Reserve Banks.

Following consideration of suggestions made at this meeting, unanimous approval was given to a letter to Mr. Patman in the form attached hereto as Item No. 2, with the understanding that a copy would be sent to Chairman Spence of the House Banking and Currency Committee.

At this point Mr. Molony, Special Assistant to the Board, entered the room.

Request to visit the trading desk at the New York Reserve Bank (Items 3 and 4). Chairman Martin reported that a member of Congressman Patman's staff had called on the telephone and made the request, on behalf of Mr. Patman, that arrangements be made for two staff members to visit the Securities Department of the Federal Reserve Bank of New York, particularly the trading desk. The Chairman also said that he had checked informally with President Hayes for his general reaction and that Mr. Hayes was to return the telephone call some time this morning.

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In a discussion of the matter, reference was made to occasions in the past when similar arrangements had been made for members of the Congress. This discussion brought out that in one instance such a visit was made by two employees of the General Accounting Office assigned temporarily to duty with a Congressional committee.

Agreement then was expressed with the view of Chairman Martin that, while the request should not be refused, the Board should ask for a letter from Congressman Patman giving the names of the staff members who would make the visit. This, it was pointed out, would provide an opportunity to put on record that the disclosure of some of the information made available to the staff members was on a confidential basis.

Consideration was given to the possibility of suggesting that Mr. Patman accompany the members of the staff, but it was agreed not to do this because the motives underlying the invitation might be misinterpreted. It was the view of the Board, also, that the request was not of such a nature as to require clearance with the other members of the Federal Open Market Committee.

At the conclusion of the discussion, it was understood that after Chairman Martin had checked again with President Hayes, Mr. Cherry would get in touch with Mr. Patman or his representative, state that the requested visit would be arranged but that the Board would like to have a letter from Mr. Patman for its records, and emphasize that the individuals selected to make the visit should be responsible staff members.

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Secretary's Note: President Hayes later advised Chairman Martin that the New York Reserve Bank was agreeable to complying with the request. Subsequently, pursuant to arrangements made by Mr. Cherry, a letter was received from Congressman Patman formalizing the request. Copies of that letter and the reply made by Chairman Martin are attached as Items 3 and 4, respectively. Copies of both letters were sent to Chairman Spence of the House Banking and Currency Committee.

Response to request from Congressman Patman (Item No. 5).

There had been distributed to the members of the Board copies of a draft of letter to Congressman Patman which would transmit, pursuant to the request contained in his letter of August 16, 1957, a statement detailing each of the several items of Federal Reserve Bank expenses shown in Table 6 of the Board's Annual Report for 1956. The attached material consisted of breakdowns, by Reserve Banks and branches, covering traveling expenses; postage and expressage; telephone and telegraph; printing, stationery, and supplies; insurance; and furniture and equipment purchases and rentals, as well as a breakdown of Federal Reserve currency expenses by Reserve districts.

Following a brief discussion, the letter and attached material were approved unanimously in the form submitted, with the understanding that a copy of the reply would be sent to Chairman Spence of the House Banking and Currency Committee. A copy of the letter is attached hereto as Item No. 5.

Mr. Farrell then withdrew from the meeting.

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Application of Pascagoula-Moss Point Bank for membership in the Federal Reserve System. At the meeting on October 1, 1957, it was noted that a file relating to the application of Pascagoula-Moss Point Bank, Moss Point, Mississippi, for membership in the Federal Reserve System had been circulated to the members of the Board and that President Bryan of the Federal Reserve Bank of Atlanta had expressed a desire to meet with the Board on the matter if the Board should be disposed to impose special conditions of membership or to deny the application. The file showed that the Board's Division of Examinations recommended a special condition of membership which would provide that the bank's aggregate capital structure, including bad debt reserves, be increased not less than \$400,000 through the retention of earnings and the sale of additional capital stock within one year from the date of admission to membership. Also, several of the members of the Board had initialed in the course of circulation a memorandum attached to the file by Governor Mills in which he expressed the view that, although a \$400,000 increase in capital would admittedly go a long way toward adequately bolstering capital protection to the bank's deposit liabilities, the introduction of new capital seemingly would not completely correct a situation in which the applicant bank was carrying an overload of municipal securities, some of lower quality, against a deposit structure of abnormal volatility, as measured especially by fluctuations in the volume of public deposits. Since experience had indicated that correction of criticizable conditions

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is obtained more easily prior to, rather than after, admission to membership, it was Governor Mills' opinion that action on the application should be deferred until a broader corrective program had been accomplished.

Governor Shepardson noted that, according to the file, Vice President Denmark had indicated orally to the Division of Examinations that if the Board was disposed to reject the application on account of capital inadequacy or to require a special condition of membership respecting capital, he would like to have the opportunity to renew negotiations with the bank to see whether some change might be effected in its attitude.

Following a discussion of what course of action should be followed with respect to the matter, unanimous agreement was expressed with Chairman Martin's suggestion that President Bryan be afforded an opportunity to present his views, and the Secretary was requested to get in touch with Mr. Bryan for that purpose.

Mr. Benner then withdrew from the meeting and Messrs. Fauver, Assistant Secretary, Young, Director, Division of Research and Statistics, and Noyes, Adviser in that Division, entered the room.

Anticipated legislative proposals. In a letter to Chairman Martin dated October 1, 1957, copies of which had been distributed to the members of the Board, Chairman Saulnier of the Council of Economic Advisers referred to the legislative program for promoting economic growth and stability presented each year in the Economic Report of the President, which is required to be transmitted to the Congress not later than the 20th of

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January, and stated that the Council would appreciate receiving by the 25th of October a written statement of legislative proposals expected to be submitted to the next session of Congress which the Board believed, if enacted, would have a significant effect on economic growth and stability. The letter also stated that the designation of a staff member to act as liaison with the Council on this matter would be appreciated.

Mr. Hackley pointed out that the scope of this request was rather limited and that it therefore would not seem to comprehend recommendations for legislation such as amendments to the Bank Holding Company Act. In the circumstances, the staff could think of no items that would appear pertinent unless the Board had in mind the possibility of recommendations for a revision of reserve requirements.

Chairman Martin noted that some time was available before the date for reply mentioned in Mr. Saulnier's letter, but he suggested that the request be given thought with a view to raising promptly with the Council any matters that the Board might deem appropriate.

There being no suggestions at the moment, it was understood that the matter would be handled as proposed by the Chairman. In this connection, it was understood that the matter of designating a staff member to act as liaison with the Council would be taken under advisement by the Board.

Distribution of Board's Christmas greeting card. There was a discussion, in the light of questions raised by Chairman Martin, concerning the possibility of expanding the mailing list for the Board's Christmas

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greeting card beyond the present mailing list, consisting of the heads of foreign central banks, the chairmen and directors of Federal Reserve Banks and branches, the members of the Federal Advisory Council, the members of the Cabinet, and the heads of certain Government agencies, particularly in the banking field.

It was agreed unanimously that the list should be expanded to include those persons who had served in the past as (1) directors of Reserve Banks and branches, (2) Reserve Bank Presidents, and (3) members of the Federal Advisory Council. It was also agreed that any expansion of the present mailing list covering persons outside the System should be confined to Federal officials of highest rank in the areas of the Government having a close relationship to the work of the Board.

The members of the staff then withdrew from the meeting and the Board went into executive session.

Savings bond luncheons. The Chairman later informed the Secretary that during the executive session there was a further discussion of the request in the letter from the Treasury dated September 18, 1957, that the Board and the Federal Reserve Banks of St. Louis and San Francisco pay the cost of certain savings bond luncheons to be held later this year. The Chairman told the Board that he had discussed the matter at some length with representatives of the Treasury, pursuant to the understanding at the meeting on September 27, 1957, and that it was his conclusion that, without making a decision for the future, the Board would

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be justified in agreeing to the payment by it and by the St. Louis and San Francisco Banks of the cost of the three luncheons referred to in the letter. The other members of the Board concurred in the Chairman's position and the Chairman was authorized to inform the Treasury in such way as he saw fit that the Board would interpose no objection to the payment of the cost of the luncheons.

The meeting then adjourned.

Secretary's Notes: On October 4, 1957, Governor Shepardson approved on behalf of the Board the following items:

Memoranda from appropriate individuals concerned recommending actions affecting the Board's staff as follows:

Appointment

Ronald S. Goldberg as Accounting Clerk, Office of the Controller, with basic annual salary at the rate of \$4,215, effective the date he assumes his duties.

Transfer

Mary V. Malarkey, from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Minutes Clerk in the Office of the Secretary, with no change in her present basic annual salary at the rate of \$3,840, effective the date of entrance upon her new duties.

Extension of service as Special Assistant
Federal Reserve Examiner

Extension of the service of Sylvia I. Clements with the field staff of the Division of Examinations for a period of approximately 12 months, effective October 27, 1957.

Memorandum dated October 1, 1957, from Mr. Johnson, Director, Division of Personnel Administration, recommending that the Board participate in the 1957 Diabetes Detection Drive during the period November 17-23, 1957.

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Letter to the Federal Reserve Bank of Philadelphia approving the appointment of Robert A. Dobie as assistant examiner. A copy of the letter is attached hereto as Item No. 6.

Memorandum dated September 3, 1957, from Mr. Bethea, Director, Division of Administrative Services, and Mr. Johnson, Controller, concerning a long-range program for purchases of furniture for general office use. A copy of the memorandum is attached hereto as Item No. 7.

Governor Shepardson today approved
on behalf of the Board the following
items:

Memorandum dated October 2, 1957, from Mr. Masters, Director, Division of Examinations, recommending the transfer of Susan Kirby from the position of Clerk-Stenographer in the Division of Personnel Administration to the position of Stenographer in the Division of Examinations, with no change in her basic annual salary at the rate of \$3,415, effective October 7, 1957.

Memorandum dated April 23, 1957, from Mr. Masters, Director, Division of Examinations, recommending an increase in the basic annual salary of James C. Smith, Senior Federal Reserve Examiner in that Division, from \$11,395 to \$11,610, effective October 20, 1957.

Letter to the Federal Reserve Bank of Richmond approving the designation of Clarence E. Profitt as special assistant examiner. A copy of the letter is attached hereto as Item No. 8.

Letter to the Federal Reserve Bank of Chicago approving the designation of M. Welby Taylor as special assistant examiner. A copy of the letter is attached hereto as Item No. 9.

Pursuant to action taken by the Board on September 30, 1957, the letter of which a copy is attached as Item No. 10, relating to the reporting of repurchase agreements and similar transactions, was sent to the Presidents of all Federal Reserve Banks on October 4, 1957.


Secretary

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 1
10/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 7, 1957



Mr. E. R. Millard, Vice President,
Federal Reserve Bank of San Francisco,
San Francisco 20, California.

Dear Mr. Millard:

As recommended in Mr. Galvin's letter of September 20, 1957, the Board of Governors extends to April 3, 1958, the time within which Bank of Belmont Shore, Long Beach, California, may establish a branch in the vicinity of the intersection of Main Street and Pacific Coast Highway, Seal Beach, California, under the approval given by the Board in its letter of April 3, 1957.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 2
10/7/57

OFFICE OF THE CHAIRMAN

October 7, 1957

The Honorable Wright Patman,
House of Representatives,
1201 House Office Building,
Washington 25, D. C.

Dear Mr. Patman:

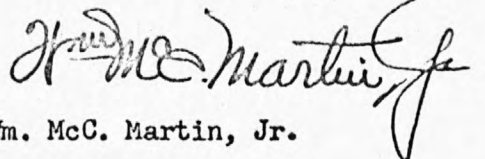
This letter is in response to yours of September 26, 1957, requesting copies of memoranda prepared in connection with examinations of the Federal Reserve Banks in accordance with instructions to the Board's examiners.

These memoranda are for the purpose of making available to the Board, strictly for its own confidential information, certain information and views of the Chief Federal Reserve Examiner. Throughout the history of the Federal Reserve System, the Board has closely guarded the confidential character of the memoranda to insure the freedom with which the Board's examiner necessarily must express his views.

We believe you will agree that an effective discharge of the Board's supervisory responsibilities requires that such information be obtained and made available to the Board. Any departure from the principle of strict confidentiality would tend to undermine the value and usefulness of the memoranda to the Board and would interfere with the orderly discharge of the responsibilities placed upon the Board by the Federal Reserve Act.

In view of the above, it is the Board's belief that you will agree that the memoranda should not be furnished.

Sincerely yours,



Wm. McC. Martin, Jr.

WRIGHT PATMAN
FIRST DISTRICT
STATE OF TEXAS

WASHINGTON ADDRESS:
1201 HOUSE OFFICE BUILDING

HOME ADDRESS:
P. O. BOX 868, TEXARKANA, TEXAS

COMMITTEES:
BANKING AND CURRENCY
CHAIRMAN, SMALL BUSINESS OF THE HOUSE
CHAIRMAN, JOINT ECONOMIC COMMITTEE
JOINT COMMITTEE ON DEFENSE PRODUCTION

SECRETARY:
MRS. LUCILLE SPAIN

Congress of the United States
House of Representatives
Washington, D. C.

Item No. 3
10/7/57

October 7, 1957

Hon. William McC. Martin, Jr.
Chairman
Board of Governors of the
Federal Reserve System
Washington, D. C.

Dear Mr. Martin:

I will appreciate it if you will make arrangements for the three persons listed below, who are working for me, to visit the New York Reserve Bank to see the Open Market operations. My hope is that these people will not simply make a conducted tour of the Open Market operations, but that they will ask questions and understand the whole operation and record keeping systems related thereto. These personnel are as follows:

Mr. Wm. Summers Johnson, who is normally employed on the staff of the Select Committee on Small Business of the House.

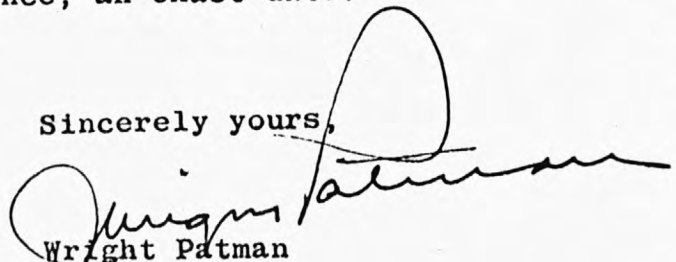
Mr. William H. Moore, who is normally employed on the staff of the Joint Economic Committee.

Dr. Clifford D. Clark, who is normally on the faculty of New York University.

I can vouch for the personal integrity and the discretion of these men and I assure you that they will make no public statements concerning their visit to the Open Market Committee, or otherwise reveal confidential information to any unauthorized source. It is hoped that these people will be in a position to visit the New York Reserve Bank during the latter part of the present week, but Mr. Johnson will be in communication with Mr. Al Cherry and work out with him, in advance, an exact date.

I am

Sincerely yours,


Wright Patman



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 4
10/7/57

OFFICE OF THE CHAIRMAN

October 8, 1957

The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

This will acknowledge receipt of your letter of October 7, asking that arrangements be made for Mr. Wm. Summers Johnson, Mr. William H. Moore and Dr. Clifford D. Clark to visit the Federal Reserve Bank of New York to observe the operations of the Government securities market for the Federal Open Market Account.

Upon advice from Mr. Johnson as to the exact date these gentlemen expect to go to New York we will advise the Reserve Bank, and you may be sure that the officials of that Bank will be glad to receive them under the conditions set forth in the last paragraph of your letter.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

Item No. 5
10/7/57

OFFICE OF THE CHAIRMAN

October 7, 1957

The Honorable Wright Patman,
House of Representatives,
Washington 25, D. C.

Dear Mr. Patman:

Pursuant to the request contained in your letter of August 16, 1957, attached is a detailed statement of each of several items of expense shown in Table 6 of the Board's Annual Report for 1956.

Sincerely yours,

(Signed) Wm. McC. Martin, Jr.

Wm. McC. Martin, Jr.

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25. D. C.

Item No. 6
10/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 4, 1957

Mr. E. C. Hill, Vice President,
Federal Reserve Bank of Philadelphia,
Philadelphia 1, Pennsylvania.

Dear Mr. Hill:

In accordance with the request contained in your letter of September 26, 1957, the Board approves the appointment of Robert A. Dobie as an assistant examiner for the Federal Reserve Bank of Philadelphia.

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

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Assistant Secretary.



Date September 3, 1957

Office Correspondence

To Governor Shepardson

Subject: _____

From L. P. Bethea and E. J. Johnson

In line with our discussion of August 14, 1957, this memorandum is submitted with respect to proposed future purchases of metal furniture for general office use. It is recommended that the following long-range program be adopted:

1. A Special Projects Account for furniture be set up in the 1958 budget of the Division of Administrative Services to be followed by similar special provisions in subsequent budgets over a period of years until all offices in the building have been refurnished (except in the Board Members' Section).
2. A notice to all divisions be included in the budget instructions for the year 1958 to the effect that such a Special Projects Account will be set up and advising the divisions to submit a list of their replacement or additional furniture needs to the Division of Administrative Services.
3. The list to be reviewed by the Division of Administrative Services for determination as to condition of furniture for which replacement is requested. After this review it will be determined how many offices will be refurnished in 1958 and the requests will then be forwarded to the Controller's Office for review as to need for any furniture items which cannot be supplied from surplus stocks.

In order to provide a desirable uniformity throughout the Board's offices, it is proposed to follow the types of furniture and standards recommended in Mr. Persina's report of May 4, 1956, which were accepted by the Board. It is understood, of course, that additional furniture and special equipment beyond these basic minimum requirements will be needed in some cases; for example, experience has shown the need for extra items such as tables. On the other hand it is expected that the present steel file cases and related steel equipment can be spray-painted to match the new gray color. The program also contemplates replacement of furniture in contiguous offices or sections and not on an individual piecemeal basis. So that maximum utilization of the present wooden furniture may be obtained in such group replacements, it is planned to refurnish or repair any usable furniture and reassign it as required throughout the building. Surplus furniture will be disposed of in accordance with existing procedure approved by the Board on June 17, 1953 (see attached memorandum).

To: Governor Shepardson

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In connection with the new program, it is believed there is considerable merit in planning initial layout of new office furniture and equipment on a "work station" basis or otherwise setting up the rooms in a uniform pattern as suggested by Mr. Persina last year. Adoption of such an arrangement would tend to keep to a minimum the necessity to move basic equipment and reduce the expense of moving telephone, electric and buzzer stations. A plan whereby contents of desks, files, bookcases, etc., could be moved without disturbing the furniture would certainly prolong the life of the equipment, accomplish moves much faster, and result in savings in labor.

Attachment.

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Item No. 8
10/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 7, 1957

Mr. G. Harold Snead, Chief Examiner,
Federal Reserve Bank of Richmond,
Richmond 13, Virginia.

Dear Mr. Snead:

In accordance with the request contained in your letter of October 2, 1957, the Board approves the designation of Clarence E. Profitt as a special assistant examiner for the Federal Reserve Bank of Richmond for the purpose of participating in examinations of all State member banks except The Bank of Virginia, Richmond, Virginia.

The authorization heretofore given your bank to designate Mr. Profitt as a special assistant examiner is hereby canceled.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25. D. C.

Item No. 9
10/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 7, 1957

Mr. W. R. Diercks, Vice President,
Federal Reserve Bank of Chicago,
Chicago 90, Illinois.

Dear Mr. Diercks:

In accordance with the request contained in your letter of October 1, 1957, the Board approves the designation of M. Welby Taylor as a special assistant examiner for the Federal Reserve Bank of Chicago. Please advise as to the date upon which the designation is made effective.

It is noted that Mr. Taylor owns 50 shares of stock of The First National Bank and Trust Company of Kalamazoo, Kalamazoo, Michigan, and that he has agreed to dispose of this stock immediately. It is also noted that the proposed appointee is the son of Merrill W. Taylor, Chairman of the Board of Directors of The First National Bank and Trust Company of Kalamazoo, and that a trust established for his benefit, but over which he has no control until he reaches 25 years of age, includes 60 shares of stock of The First National Bank and Trust Company of Kalamazoo and 220 shares of stock of First City National Bank, Houston, Texas.

Accordingly, the Board's approval of the designation of Mr. Taylor is given with the understanding that he will not participate in the examinations of any bank in which he owns stock directly or indirectly and that as long as his father is an officer of The First National Bank and Trust Company of Kalamazoo, Kalamazoo, Michigan, he will not participate in any examination of that institution.

Very truly yours,

(Signed) S. R. Carpenter

S. R. Carpenter,
Secretary.



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON 25, D. C.

Z-4507 (On office
copies only)

Item No. 10
10/7/57

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD



October 4, 1957

Dear Sir:

Enclosed is a memorandum setting forth proposed amendments to give effect to the new reporting requirements dealing with the purchase or sale of securities by banks under repurchase or resale agreements or similar arrangements. This subject was covered briefly in the Board's telegram of August 20, 1957, with respect to instructions to be given to weekly reporting member banks; and the telegram referred to the July 23, 1957, letter of the Office of the Comptroller of the Currency.

It is now contemplated that at the next reprinting of form F. R. 105a, Instructions for preparation of reports of condition by State member banks of the Federal Reserve System, the revised instructions will be as set forth in the enclosed memorandum of proposed amendments. Your suggestions regarding further amendments in these instructions, based on types of inquiries received from banks and types of transactions disclosed in examinations of banks, would be helpful. The responses from the Reserve Banks to the Board's telegram of August 20 indicated that there was a great variety of these transactions and as great a variety of terminology used in describing them.

The purpose of the revised instructions is to have purchases of securities under resale agreements reported as loans and sales of securities under repurchase agreements reported as borrowings in both reports of condition and in reports of examination. All transactions of this type are to be so reported regardless of (1) whether they are called simultaneous purchases and sales, buybacks, turnarounds, overnight transactions, delayed deliveries, etc., and (2) whether the transactions are with the same or different institutions; provided the purpose of the transactions is to resell (repurchase) identical or similar securities.

The purchasing bank should report the transaction as a loan and should not include the purchased securities in its portfolio; and the selling bank should report the transaction as borrowings and should include the securities in its portfolio.

In your Bank's letters transmitting the condition report forms for the next call to the State member banks, it should be sufficient to refer to the July 23, 1957, letter of the Comptroller of the Currency and to include the two paragraphs immediately above, as follows:

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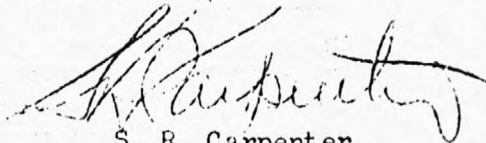
"On August __, 1957, we forwarded to your Bank a copy of a Comptroller of the Currency letter dated July 23, 1957, addressed to all national banks. At the next reprinting of Form 105a, Instructions for preparation of reports of condition of State member banks of the Federal Reserve System, amendments will be made to reflect the revised instructions dealing with the purchase or sale of securities by banks under repurchase or resale agreements, as explained in the letter of July 23.

"The purpose of the revised instructions is to have purchases of securities under resale agreements reported as loans and sales of securities under repurchase agreements reported as borrowings in both reports of condition and in reports of examination. All transactions of this type are to be so reported regardless of (1) whether they are called simultaneous purchases and sales, buybacks, turnarounds, overnight transactions, delayed deliveries, etc., and (2) whether the transactions are with the same or different institutions; provided the purpose of the transactions is to resell (repurchase) identical or similar securities.

"The purchasing bank should report the transaction as a loan and should not include the purchased securities in its portfolio; and the selling bank should report the transaction as borrowings and should include the securities in its portfolio."

It is understood that these same instructions will be included in the Comptroller of the Currency letter transmitting condition report forms for the next call.

Very truly yours,



S. R. Carpenter,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS