Minutes for October 15, 1958

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 proposed to place in the record of policy actions required to be kept under the provisions of Section 10 of the Federal Reserve Act an entry covering the item in this set of minutes commencing on the page and dealing with the subject referred to below:

Page 12 Increase in margin requirements

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 WM
Gov. Szymczak	x	
Gov. Vardaman 1/		x
Gov. Mills	x	
Gov. Robertson	x R	
Gov. Balderston	x CCB	
Gov. Shepardson	x DS	

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

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Federal Reserve Bank of St. Louis

Minutes of the Board of Governors of the Federal Reserve System on Wednesday, October 15, 1958. The Board met in the Special Library at 10:00 a.m.

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

Mr. Sherman, Secretary
Mr. Kenyon, Assistant Secretary
Mr. Fauver, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser to the Board
Mr. Young, Director, Division of Research and Statistics
Mr. Hackley, General Counsel
Mr. Masters, Director, Division of Examinations
Mr. Farrell, Associate Director, Division of Bank Operations
Mr. Conkling, Assistant Director, Division of Bank Operations
Mr. Noyes, Adviser, Division of Research and Statistics
Mr. Koch, Associate Adviser, Division of Research and Statistics
Mr. Solomon, Assistant General Counsel

Application of Camillus Bank (Item No. 1). There had been circulated to the members of the Board, with a favorable recommendation from the Division of Examinations, the application of the Camillus Bank, Camillus, New York, for permission to establish a branch in the Fairmount Fair Shopping Center. The original application for this branch was approved by the Board in July 1955 and the time for establishing the branch subsequently was extended on two occasions. When a third extension was requested in September 1957, the Federal Reserve Bank of New York advised the member bank that the approval could lapse without prejudice and suggested that the bank reapply after construction of the shopping center

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had begun. Meanwhile, the approval of the State banking authorities had been extended for successive six-month periods and was still in force.

The memorandum on the matter stated that the Marine Midland Trust Company of Central New York, Syracuse, reportedly had entered into merger negotiations with the Camillus Bank and proposed to operate both the main office of the Camillus Bank and the Fairmount branch as branches. However, a formal application for permission to establish the branches incident to the proposed merger had not yet reached the Board's offices. The memorandum pointed out that two national banks in Syracuse also filed applications in 1955 to establish branches in the same shopping center and that the applications were declined by the Comptroller of the Currency because the Camillus Bank had priority. It appeared that the Comptroller's Office now intended to approve one of those applications because, with the entry of Marine Midland Trust Company into the picture, it was felt that the application of the Camillus Bank should be treated as an entirely new application. The memorandum from the Division of Examinations stated that the recent and prospective growth of the Fairmount community might justify the representation of more than one bank in the area.

When the file was in circulation to the Board, Governor Robertson expressed agreement with the reasoning of the Comptroller of the Currency. The proposed merger was understood to be conditioned upon the Camillus Bank obtaining approval for the Fairmount branch, and the circumstances led him to feel that the Marine Midland Trust Company should fall in line behind the two national banks. Hence, interagency policy would necessitate

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withholding approval and letting the Comptroller of the Currency approve the application of one of the national banks.

In commenting on his position, Governor Robertson stated that the Camillus Bank had taken no steps to establish the branch after obtaining approval in 1955, the branch application lapsed after the second extension of time expired, and the new application was submitted only after the Marine Midland subsidiary bank came into the picture. In substance, it appeared that the Camillus Bank wanted the branch only because this would enable it to sell out to the larger institution.

Mr. Masters stressed the point that when the Camillus Bank requested a third extension of time the New York Reserve Bank advised it that the request could be withdrawn without prejudice. Therefore, he felt the Federal Reserve had made a commitment to the Camillus Bank that should not be breached. Thus, despite the fact that the Marine Midland subsidiary bank had come into the picture, it was his opinion that the application of the Camillus Bank continued to have precedence over those of the two national banks. If the current application of the Camillus Bank were not approved, he felt that the Board, under the procedural agreement recently entered into with the New York State Superintendent of Banks, must advise the Superintendent of the proposed denial.

Governor Mills said that, as he understood it, the delay in establishing the branch was unavoidable, arising from failure to construct the shopping center, and the Camillus Bank had been advised that its application could be renewed at such time as construction was started.

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The fact that Marine Midland had entered the picture would come before the Board in connection with a request for approval of the two Camillus branches incident to the proposed merger. The gradual expansion of Marine Midland was a matter of longer-run concern to him but he was not certain what the Board's approach should be to that problem.

In further discussion of the circumstances of the case, Mr. Hackley stated that from a legal standpoint it would seem appropriate for the Board to recognize reports that the Camillus Bank would be taken over by a subsidiary of a large holding company. It appeared to him, however, that the proposed merger was a separate matter which would come before the appropriate authorities in due course, at which time it would be proper to take into consideration the establishment of the Fairmount branch. What had been said about a commitment to the Camillus Bank should be given some weight, but perhaps more from a moral than a legal point of view. Mr. Hackley also brought out that denial of the Camillus Bank's application would be tantamount to an attempt to forestall the proposed merger by denying an application previously approved when the merger was not contemplated.

Governors Szymczak and Shepardson indicated that they appreciated the reasons for the position taken by Governor Robertson and the Comptroller's Office. Furthermore, they were concerned about the gradual expansion of Marine Midland. However, they felt that this was a separate question and that the commitment to the Camillus Bank should be fulfilled.

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Accordingly, the application of the Camillus Bank was approved, Governor Robertson voting "no" for the reasons he had stated. A copy of the letter transmitted to the member bank through the Federal Reserve Bank of New York pursuant to this action is attached as Item No. 1.

At this point Mr. Molony entered the room.

Check collection time schedules. There had been distributed to the members of the Board a memorandum from Mr. Farrell dated October 7, 1958, discussing the recommendation of the Presidents' Conference that the time schedules applicable to credit for cash letters be changed to raise the maximum deferment from two days to three days in the interest of reducing float. This recommendation had been discussed at the joint meeting of the Board and the Presidents on September 9, 1958, at which time the Presidents were advised that the Board would take the matter under consideration. Submitted with Mr. Farrell's memorandum was a draft of letter to the Reserve Bank Presidents concurring in the change to three-day maximum deferment, suggesting that January 1, 1959, might be an appropriate time for the change, and stating that the Board would discuss the matter of timing with the Presidents before taking final action in that respect. Also submitted were certain suggestions as to how the letter might be worded if the Board was not disposed to concur in the recommendation of the Presidents' Conference. The proposed letter would express concurrence in certain related actions of the Presidents' Conference with respect to the check collection process.

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After comments by Mr. Farrell in which he summarized reasons that might be given for and against the proposed change in maximum deferment and statements by other members of the Board's staff indicating the desirability of reducing the volume of float, expressions of opinion were made by the members of the Board.

Governor Mills said that he recognized the desirability of reducing float but that the recommended change in maximum deferment would not necessarily lead to contraction in float fluctuations on a percentage basis even though the amount of float in relation to the volume of reserves would be reduced. He also called attention to the five dissenting votes in the Presidents' Conference and to reports indicating that the matter had been the subject of considerable debate, with the issue turning on whether reduction in the volume of float to smooth out open market operating problems was sufficient to offset the risk of disrupting relations with member banks. Governor Mills felt that there was certain to be a bank relations problem. He said the System had encountered so much criticism through certain recent actions that he was apprehensive about taking an additional step which might accentuate the problem and possibly result in the loss of member banks. Consequently, he concluded that the Board should advise the Presidents that in its view action at this time would be inadvisable.

In further comments, Governor Mills stated that although the volume of float admittedly presents problems for open market policy, the opinion had been expressed from time to time that as far as possible the

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Management of the Account should not offset shifts in float but rather permit the understanding of the banking community to rise to the point of appreciating the temporary character of such fluctuations and the fact that they are not to be considered as an indication of the direction of System policy.

Governor Robertson noted that a great deal of time had gone into the study of float and that there had appeared from time to time a unanimity of feeling that every possible step should be taken to reduce its volume. The present proposal, he said, involved only one aspect of the subject and the other aspects could be disregarded for the purposes of this discussion. As to the split among the Presidents, he said that he failed to see merit in the arguments against the proposal while the arguments in favor of it appeared to be sound. In his opinion the change would be beneficial and extremely desirable, and he would favor sending the letter submitted with Mr. Farrell's memorandum.

Governor Shepardson said that in principle the extension of credit on the basis of items not yet collected seemed to him a practice of doubtful propriety. At the same time, he was not convinced that float fluctuations would be materially reduced if the current proposal were adopted. Some of the base would be cut off, but he was not certain that the peaks and valleys would be affected very much. He was also concerned about the possible reaction to the change. At a point when the System should be trying to strengthen its public relations, the possibility of creating ill will raised in his mind a question whether the move should be made

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at this particular time. Because of that phase of the matter, it occurred to him that perhaps action by the Board should be deferred until after the return of Chairman Martin. In summary, while he did not regard the extension of credit on uncollected items as sound in principle, he had some question about the advisability of taking final action on the current proposal at this particular time.

Governor Szymczak said it was his feeling that the System has made considerable progress over the years in expediting the collection of checks. He then pointed out that the actual institution of the two-day maximum deferment schedule was made only after a long period of time during which the Board had discussions with various groups representing the banking fraternity. Having accomplished as much progress as had been made, it was difficult for him to feel that the System should now move back to a three-day maximum without going through the same processes as were followed prior to fixing the effective date of the change to a two-day maximum. The problem was of a public relations nature and also was at the heart of the Federal Reserve System since it involved the check collection process. If the current proposal were placed in effect, there would still be a certain amount of float due to transportation, seasonal, and other problems. He recognized the open market problem caused by float fluctuations and in principle favored reduction of float by whatever processes might be required. On the other hand, he felt that one must consider relations with member banks and also the close vote among the Presidents. The Presidents, he pointed out, had gone into the problem

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very seriously and the vote showed a strong difference of opinion. Therefore, he would favor advising the Presidents that the Board had concluded that action on the proposal at this time would be premature.

Question was raised regarding the effects of the proposal from the standpoint of the depositor as opposed to the banks, and Mr. Farrell said he thought it would be fair to say that the change would have no effect as far as the typical bank depositor was concerned. Governor Mills expressed some doubt on this point because a bank's service charges are based on the earnings available from each account and a change to three-day maximum deferment would tend to reduce the amount of free reserves.

With reference to the statement by Governor Szymczak concerning procedures that should be followed before placing the change into effect, Governor Shepardson expressed the view that the proposed change could be defended in principle and that it would not seem necessary to enter into debate with the member banks from that standpoint. In response, Governor Szymczak again referred to the efforts of the Federal Reserve System over a period of years to expedite the collection of checks and said that reversion to three-day maximum deferment might tend to create the impression of a step backward. Such action, he suggested, could also raise the question whether the System at some future date might extend the time schedules still further. Governor Shepardson concurred in the need for full explanation of the change although he saw no need to "take a poll of the member banks."

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Governor Robertson then indicated that he would not object to deferring a decision on the proposed change if that seemed necessary or desirable. He went on to say, however, that some of those who once favored a change to two-day maximum deferment later modified their views when the results were not those that had been anticipated. The proposed change might be regarded as correcting an error, as taking a step in the public interest by reducing the amount of float outstanding, and as reaching toward a more realistic deferment schedule. This was a decision the Board had to make in the light of its public responsibility, and he considered it suitable to proceed in accordance with majority vote, for probably there would never be a unanimous view. It seemed to him quite obvious that float fluctuations, in absolute terms, were bound to be reduced by putting the proposal into effect.

Mr. Koch made certain remarks regarding the reasons for and results of the move to two-day maximum deferment during which he emphasized that certain developments which were hoped for at the time did not materialize. It had not been possible to meet the two-day schedule and the change had not resulted in more banks joining the Federal Reserve System. Mr. Koch also pointed out that the amount of reserves available to the banking system is within the control of the Federal Reserve System and that the level results from decisions as to the volume deemed appropriate.

Further discussion related to criticisms raised over a period of time by Professor Spahr and others concerning the granting of float

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credit. It was suggested that the Board's decision should not be influenced by such criticisms because the change to three-day maximum deferment would not eliminate them and the practice of granting credit on a float basis appeared to have reasonable legal justification.

Question then was raised whether it was the wish of the majority of the Board to defer a decision and Governors Mills and Robertson indicated that, with a quorum present, they were prepared to vote on the matter. Governor Shepardson stated that he considered the recommendation of the Presidents' Conference sound in principle. Therefore, although he was concerned about the public relations aspects, he would be willing to reach a decision now, subject to further discussion of the matter of timing.

Governor Balderston indicated that his views coincided with those of Governor Shepardson, including the latter's observations with regard to timing.

Accordingly, the Board concurred in the recommendation of the Presidents' Conference, Governors Szymczak and Mills voting "no" for the reasons they had stated. This action contemplated that the matter of timing would be discussed with the Presidents' Conference and that for the time being the Board's decision would be sent only to the Federal Reserve Banks. It was also mentioned that prior to making the change in maximum deferment effective, the Board might wish to have a discussion with the Federal Advisory Council.

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During the foregoing discussion Mr. Brill, Chief of the Capital Markets Section, Division of Research and Statistics, joined the meeting and at its conclusion Messrs. Thomas, Koch, Farrell, and Conkling withdrew.

Margin regulations (Items 2 through 5). Messrs. Young and Brill reviewed recent stock market developments. They pointed out that although prices and the volume of activity had increased since margin requirements were raised from 50 per cent to 70 per cent in August, analysis of developments from the credit standpoint was rather difficult. In August there was a small decline in stock market credit; in September there appeared to have been about a $70 million net increase, a rise in debit balances at brokers having been offset somewhat by a small decline in bank loans for purchasing or carrying securities. Latest estimates indicated total stock market credit in the area of $4.3 billion. Since the margin requirements were raised to 70 per cent, total stock market credit was estimated to have gone up by about 1 to 1-1/2 per cent, and during the same period prices advanced about 8 per cent.

The discussion then turned to "nonpurpose" bank loans and Mr. Young referred to a memorandum from Mr. Brill dated October 8, 1958, which had been distributed to the members of the Board. This memorandum indicated that there was little data available to suggest any substantial rise this year in the use of nonpurpose loans for stock market purposes.

At this point Mr. Masters summarized the replies of eight Federal Reserve Banks to the Board's wire of October 7, 1958, requesting views

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on (1) whether the proceeds of loans secured by stock were being used to purchase or carry registered stocks despite the filing of "nonpurpose" statements, and (2) whether the proceeds of other types of loans such as unsecured credit lines were being used to finance the purchasing and carrying of such securities. The replies from the eight Banks revealed a unanimous view that cases involving evasion or avoidance of the provisions of Regulation U were not numerous or substantial in amount.

Governor Robertson, who had been authorized by the Board to make an oral request of the Office of the Comptroller of the Currency for views of the District Chief National Bank Examiners, summarized a reply from the Deputy Comptroller of the Currency which reflected opinions similar to those of the Reserve Banks. Only the Chief Examiners in New York and Chicago felt that any substantial number of violations of Regulation U had occurred.

In further discussion Governor Szymczak said he remained convinced that in one way or another the proceeds of bank loans, other than "purpose" loans, were finding their way into the stock market to a considerable extent. He raised the question whether any further steps appeared feasible to assure compliance with the provisions of Regulation U. Governor Robertson then suggested that a letter be sent to the Presidents of the Federal Reserve Banks requesting that bank examiners, in the course of examinations during this period, inquire most carefully into any circumstances suggesting the possibility of noncompliance with the

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Regulation. This suggestion contemplated that a similar request would be made of the Comptroller of the Currency.

There was unanimous agreement with the procedure suggested by Governor Robertson and it was understood that he would make the request of the Comptroller's Office. A copy of the letter sent to the Federal Reserve Banks is attached hereto as Item No. 2.

Reference then was made to a second memorandum from Mr. Brill, dated October 13, 1958, relating to the impact of changes in the withdrawal and substitution rules. Copies of this memorandum also had been sent to the members of the Board, and at this meeting Mr. Brill distributed a supplementary tabular presentation.

In the October 13 memorandum Mr. Brill used information from the most recent quarterly margin account panel survey conducted by the New York Stock Exchange, pertaining to June 1958, as a basis for deriving judgments as to the relative impact on margin customers of (1) an increase in margin requirements to 80 per cent, (2) a tightening of the withdrawal and substitution rules, and (3) a combination of these measures. Subject to necessary qualifications due to the experimental nature of the survey and the date of the most recent survey, it appeared that the restraining effect of raising margin requirements to 80 per cent would be relatively small. However, imposition of tighter withdrawal and substitution rules would either lock in a large volume of securities or entail substantial liquidation before traders were free to operate in their existing accounts. The study suggested that the roll-back in

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outstanding debt would involve from two-thirds to three-quarters of debit balances outstanding.

In reviewing his memorandum Mr. Brill stated that according to the latest available information the number of open margin accounts increased rather considerably to around 320,000 in September, comparable figures for June 1957 and June 1958 having been 286,000 and 310,000, respectively. Responding to a question, Mr. Brill observed that, although an increase in margin requirements might be of value in forestalling a further rise in stock market credit, such action would not result in any roll-back. The higher level of requirements would still permit the exchange of securities on the part of persons with undermargined accounts. Reports indicated that fads in stocks were passing from one area of the market to another, so that prices are pushed up first in one sector and then in a different sector. This, he said, could be the result of operations under the current withdrawal and substitution rules.

Continuing, Mr. Brill summarized discussions with Mr. McEvoy of the Federal Reserve Bank of New York and with a staff member of the Securities and Exchange Commission which tended to cast doubt on whether tightening of the withdrawal and substitution rules would create severe operational difficulties for brokerage firms. It appeared that during the 1945-49 period, when strict withdrawal and substitution rules were in effect, the complaints received may have been engendered more by the impact on the volume of trading than by operating problems, although the latter may have been ascribed as the reason for the complaint.

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After expressions by Governor Robertson and Mr. Riefler indicating agreement with the thought that the various aspects of a possible tightening of the withdrawal and substitution rules deserved prompt and careful exploration, Mr. Brill commented that unresolved operational questions appeared to narrow down to two areas, the first relating to the background and training of brokerage house "back office" personnel and the other having to do with the installation of electronic bookkeeping equipment by some concerns. When Governor Shepardson inquired how these questions might be resolved, Mr. Young replied that he could only suggest asking Mr. McEvoy, upon his return to New York, to explore the matter openly with brokerage houses.

Governor Shepardson then introduced a discussion based on reports that the current stock market is one in which credit is not a substantial factor, since a large segment of invested funds represents cash purchases by pension funds, investment funds, and similar organizations.

One of the comments made during the discussion was to the effect that in restricting further the use of credit in the stock market the Board would be prohibiting such credit from competing for the available supply of stocks. The outright purchase of stocks, it was noted, would leave the market in a sounder position in the event of any change in psychology. Also, while $4.3 billion in total stock market credit could not be said to be high by historical standards, the figure was large enough to cause some trouble, particularly in the event of rapid turnover. The

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volume of mutual investment fund shares admittedly was growing, but there appeared to be no way in which the Board could approach this problem directly. At the conclusion of the discussion, reference was made to the lack of continuing information of a comprehensive nature on stock market credit.

The meeting then recessed and the Board reconvened in executive session at 3:00 p.m. with the same attendance.

Following the executive session the Secretary was informed that the Board, with Governor Robertson voting "no" for reasons set forth in a statement he would place in the record, had amended the supplements to Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, by increasing margin requirements from 70 per cent to 90 per cent, effective October 16, 1958, the increased requirements to be applicable both to purchases and to short sales. This action was taken with the understanding that a press statement in the form attached under Item No. 3 would be issued at 4:30 p.m. EDST, that all Federal Reserve Banks and branches would be notified of the Board's action by telegram, and that a notice would be published in the Federal Register.

The supplements to Regulations T and U, as amended by the Board's action, are shown under Items 4 and 5, respectively. Governor Robertson's statement in support of his dissenting vote was as follows:

> Action to raise margin requirements on credit for purchasing or carrying securities from 70 per cent to 90 per cent is inappropriate at this time for the following reasons:

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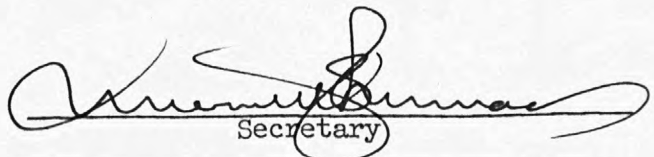
1. The withdrawal and substitution rules now contained in our margin regulations work reasonably well at lower margin requirements but become increasingly unsatisfactory as requirements are raised. Under these rules, if a customer sells securities in a margin account he is free to purchase an equal market value of securities or to withdraw from the account the margin currently required on such a purchase. For example, when he sells $1,000 of securities from a margin account, he can replace it with a $1,000 purchase of securities - or he can withdraw in cash $700 under 70 per cent margin requirements or $900 under 90 per cent margin requirements. This is the case even if the account actually has far less margin than the level currently specified in the margin regulations. Under these withdrawal and substitution rules, the increased margin requirements will thus apply in practice only to new extensions of credit, which will necessarily be small in relation to outstanding credit, and not to the turn-over in the volume of credit already in the market. The increase thus fails to reach the most important aspect at this time of the "excessive use of credit" referred to in the statute, and is therefore a relatively futile and ineffective action, the psychological effect of which may be exactly the reverse of that which is intended.

2. Because of these present withdrawal and substitution rules, the higher margin requirements unjustifiably enlarge the existing inequity as between established customers who may continue to trade on lower margins and new customers who are subject to higher margins.

3. Since withdrawals from margin accounts under the present withdrawal and substitution rules are actually made easier by higher margin requirements, the higher margin requirements coupled with the present rules will tend to encourage weakening of margin accounts. This will seriously limit the effectiveness of any withdrawal and substitution rule, more consistent with high margin requirements, that might be adopted later. It will also create dangers of cumulative forced selling in undermargined accounts if stock prices should fall.

The meeting then adjourned.

> Secretary's Note: In accordance with procedures authorized by the Board on October 7, 1958, there was sent today to the Civil Service Commission a letter (attached Item No. 6) requesting approval of arrangements with the Atomic Energy Commission for the services of Mr. S. W. Jensch, Hearing Examiner.



Secretary

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

Item No. 1
10/15/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1958

Board of Directors,
Camillus Bank,
Camillus, New York.

Gentlemen:

Pursuant to your reapplication for permission to establish a branch in the unincorporated area of Fairmount, town of Camillus, New York, submitted through the Federal Reserve Bank of New York, the Board of Governors of the Federal Reserve System approves the establishment of a branch at the southeast corner of the intersection of New York Route 5 and Onondaga Road, in the unincorporated area of Fairmount, Town of Camillus, New York, by Camillus Bank, Camillus, New York, provided the branch is established within six months from the date of this letter, and the approval of the State authorities is in effect as of the date of the establishment of the branch.

Very truly yours,

(Signed) Kenneth A. Kenyon

Kenneth A. Kenyon,
Assistant Secretary.

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

Item No. 2
10/15/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 21, 1958.

Dear Sir:

In its telegram of October 7, 1958, the Board inquired of the Reserve Banks whether in their view a substantial volume of credit is going into the stock market as a result of evasion or avoidance of Regulation U. In their replies, it was the unanimous opinion of the Reserve Banks that credit is not reaching the stock market to any material extent through evasion or avoidance of Regulation U provisions.

It is recognized examiners are giving close attention to the enforcement of the regulation in their examinations, but that there are difficulties in ascertaining noncompliance. However, in view of the nature of the period in which we are operating, the supervision of Regulation U is of great importance, hence the Board urges you to remind examiners to be most careful and diligent in their examination respecting Regulation U.

Very truly yours,

Merritt Sherman,
Secretary.

TO THE PRESIDENTS OF ALL FEDERAL RESERVE BANKS

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Item No. 3
10/15/58

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Statement for the Press

For release at 4:30 p.m. EDST,
Wednesday, October 15, 1958.

October 15, 1958.

The Board of Governors of the Federal Reserve System today amended Regulations T and U, relating respectively to margin requirements of brokers and banks, by increasing margin requirements from 70 per cent to 90 per cent, effective October 16, 1958. The increased requirements apply to both purchases and short sales. No other change was made in the regulations.

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Item No. 4
10/15/58

SUPPLEMENT TO REGULATION T

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective October 16, 1958

Maximum loan value for general accounts. - The maximum loan value of a registered security (other than an exempted security) in a general account, subject to section 3 of Regulation T, shall be 10 per cent of its current market value.

Margin required for short sales in general accounts. - The amount to be included in the adjusted debit balance of a general account, pursuant to section 3(d)(3) of Regulation T, as margin required for short sales of securities (other than exempted securities) shall be 90 per cent of the current market value of each such security.

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Item No. 5
10/15/58

SUPPLEMENT TO REGULATION U

ISSUED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Effective October 16, 1958

For the purpose of section 1 of Regulation U, the maximum loan value of any stock, whether or not registered on a national securities exchange, shall be 10 per cent of its current market value, as determined by any reasonable method.

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

Item No. 6
10/15/58

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

October 15, 1958

United States Civil Service Commission,
Washington 25, D. C.

Attention Mr. Wilson Matthews,
Administrative Officer,
Hearing Examiner Program.

Gentlemen:

Pursuant to the provisions of the Bank Holding Company Act of 1956 it is necessary for the Board of Governors to have a hearing conducted in connection with an application for prior approval filed under that Act.

The Board of Governors does not have on its staff hearing examiners to conduct such a hearing, and, therefore, aks the approval of your Commission of the loan by the United States Atomic Energy Commission of a hearing examiner for this purpose. In this connection, the United States Atomic Energy Commission has recommended Mr. S. W. Jensch, Hearing Examiner, GS-15, and by letter of October 15, 1958, has advised that the loan of Mr. Jensch's services has been approved by that Commission. Copies of the letters exchanged between the Board of Governors and the United States Atomic Energy Commission in the above connection are enclosed.

It is understood that the Board of Governors is to reimburse the United States Atomic Energy Commission for Mr. Jensch's salary on a part-time reimbursable basis for the six-month period beginning October 15, 1958, that is, only for the time in which Mr. Jensch is actually engaged in connection with said hearing. In addition to this reimbursement on a WAE basis, it is further understood that the Board of Governors will reimburse the United States Atomic Energy Commission for any travel expenses incurred by Mr. Jensch in connection with his services.

Your approval of the arrangements herein described will be appreciated.

Very truly yours,

(Signed) Merritt Sherman

Merritt Sherman,
Secretary.

Enclosures

cc - United States Atomic Energy Commission

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