A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, July 10, 1946, at 10:30 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem
Mr. Evans
Mr. Vardaman
Mr. Carpenter, Secretary
Mr. Thurston, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Letter to Mr. Hilkert, Assistant Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"In view of the circumstances described in your letter of July 3, 1946, the Board of Governors approves the payment of salary to Mr. Russell P. Sudders, Section Clerk, Discount Department, at the rate of $3,385.80 per annum, effective July 1, 1946."

Approved unanimously.

Letter to the board of directors of the "South Shore Trust Company", Rockville Centre, New York, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York:

"7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $10,000, as shown in the report of examination of such bank as of March 28, 1946, made by an examiner for the Federal Reserve Bank of New York."
Approved unanimously, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the South Shore Trust Company, Rockville Centre, New York, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York for his information.

"The report of examination for membership indicated that the examiner had some serious reservations with respect to certain management policies, particularly in connection with the acquisition and expansion of its loans. The application has been approved with the understanding that the Reserve Bank will follow the situation closely with a view to improving operating methods of the bank and eliminating objectionable practices.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of the law and the Board's regulations, the savings accounts listed on page 16(1) of the report of examination for membership.

"Since it is understood that in the State of New York trust funds deposited in the banking department of a trust company are preferred claims in the event of liquidation of the trust company, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice."

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"In your letter of June 28, 1946, you advise that the directors authorized the Bank to assume two-thirds of the cost of providing hospital care and surgical benefits for officers and employees of the Reserve Bank and their dependents under the Blue Cross and Blue Shield programs at an estimated cost to the Bank of approximately $28,500 per
per annum, based on the present personnel and assuming 100 per cent enrollment.

The Board approves the expenditure under the program as submitted.

It is understood that the Bank is to share the cost of memberships which cover only the employee, spouse, and unmarried dependent children under a specified age.

Approved unanimously.

Letter to Honorable Paul H. Appleby, Acting Director, Executive Office of the President, Washington, D.C., reading as follows:

This refers to your letter of June 27, 1946, regarding the Administrative Procedure Act.

Although the Act does not raise the problems for the Board that it does for many other agencies, the Board appreciates the opportunity to participate in the interchange of experience and viewpoints on the subject. We hope the following information, which is necessarily rather general, will be of some value in connection with the three specific points on which information is requested in your letter:

1. Work is now in progress on drafts covering the Board's 'Organization' (including information), as required by sections 3(a)(1), 3(b) and 3(c) of the Act, and 'Procedure', as required by section 3(a)(2).

2. As the Board interprets the Act, it will require few changes in Board practices. Some possible changes may be required in connection with formal hearings, but the Board has occasion to hold these so rarely that no significant problem is anticipated.

3. No administrative changes are contemplated at this time in order to conform to the Act. The Board has no trial examiner on its regular staff, and if the need should arise, it will obtain one in accordance with the Act.

Pursuant to your suggestion, the Board names George B. Vest, its General Counsel, as principal representative, and S. R. Carpenter, its Secretary, as alternate, to assist in the program to effectuate the Act.

Approved unanimously.
Thereupon the meeting adjourned.

Secretary.

Approved:

Chairman pro tem.