A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, July 12, 1946, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
         Mr. Szymczak
         Mr. Evans
         Mr. Carpenter, Secretary
         Mr. Thurston, Assistant to the Chairman

Mr. Wardaman was absent because of illness.

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

Telegrams to Mr. Blair, Secretary of the Federal Reserve Bank of Cleveland, Mr. Leach, President of the Federal Reserve Bank of Richmond, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Vice President and Secretary of the Federal Reserve Bank of St. Louis, Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Gilbert, President of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the Federal Reserve Bank of Kansas City on July 6, and by the Federal Reserve Banks of Cleveland, Richmond, Chicago, St. Louis, Minneapolis, and Dallas on July 11, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Yesterday a telegram was received from Mr. Sproul, President of the Federal Reserve Bank of New York, stating that the executive
committee of the Board of Directors of the Bank had voted, subject to review and determination of the Board of Governors, to increase the minimum buying rate fixed by the directors on bankers' acceptances from 1/2 to 3/4 per cent. The telegram also stated that all other rates in the Bank's existing schedules were reestablished without change.

It is understood that if the increase in the minimum buying rate were approved by the Board, under the procedure which has been in effect for a number of years, the officers of the Federal Reserve Bank of New York would immediately establish the following schedule of effective minimum buying rates on bankers' acceptances:

<table>
<thead>
<tr>
<th>Duration</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 90 days</td>
<td>3/4 per cent</td>
</tr>
<tr>
<td>91 to 120 days</td>
<td>7/8 per cent</td>
</tr>
<tr>
<td>121 to 180 days</td>
<td>1 per cent</td>
</tr>
</tbody>
</table>

Unanimous approval was given to a telegraphic reply to Mr. Sproul's wire in which it was stated that, effective July 12, 1946, the Board of Governors approves (1) the increase from 1/2 to 3/4 per cent in the minimum buying rate on bankers' acceptances fixed by the executive committee, and (2) the re-establishment without change of all of the other rates now in effect at the Bank.

Letter to Mr. Paul H. Appleby, Temporary Chairman, UN Committee on Contributions, Hunter College, Bronx, New York, reading as follows:

"In response to your letter of July 9, 1946, I am happy to inform you that we have found it possible to detail Mr. Herbert Furth and Mr. Gerald Alter to the work required by you during the next two weeks. I understand that Mr. Furth and Mr. Alter are already engaged in this work and I am hopeful that their contribution will assist you in the completion of your task."

Approved unanimously.
Letter to Mr. Creighton, Federal Reserve Agent at the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of July 3, 1946, the Board of Governors approves, effective July 3, 1946, payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jasper A. Lane</td>
<td>Alternate Asst. F. R. Agent</td>
<td>$4,000</td>
</tr>
<tr>
<td>John F. Mooney</td>
<td>Alternate Asst. F. R. Agent</td>
<td>5,400</td>
</tr>
<tr>
<td>Clifford E. Morrissey</td>
<td>Alternate Asst. F. R. Agent</td>
<td>3,400</td>
</tr>
<tr>
<td>Lewis E. Stoyle</td>
<td>Alternate Asst. F. R. Agent</td>
<td>3,780</td>
</tr>
</tbody>
</table>

Approved unanimously.

Letter to Mr. Whittemore, President of the Federal Reserve Bank of Boston, reading as follows:

"The Board of Governors has no objection to your Bank availing itself of the services of the firm of McKinsey & Company in connection with your program of job evaluation under the arrangement as submitted with your letter of July 8, 1946."

Approved unanimously.

Letter to Mr. Douglas, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of June 28, 1946, requesting the Board's approval of a supplementary contribution of $1,302.70 to the Retirement System on behalf of James W. Stevens, an employee in the Government Bond Department of your Bank.

"The Board approves the payment to the Retirement System on behalf of Mr. Stevens as requested with the understanding that it does not establish a precedent but is based solely on the circumstances in this particular case."

Approved unanimously."
Letter to Mr. Meyer, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Chicago, consisting merely of the changing of the names of two divisions in the Bond Department, as submitted in your letter of July 8, 1946.

"As indicated in your letter, it will not be necessary to rewrite the Form A pages affected since appropriate changes will be made in the Board's copy of your plan."

Approved unanimously.

Letter to the board of directors of "Milton Bank and Safe Deposit Company," Milton, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 3 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 Philadelphia:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $1,900.31 as shown in the report of examination of such bank as of April 27, 1946, made by an examiner for the Federal Reserve Bank of Philadelphia."

The letter also contained the following special comment:

"It appears that the bank may possess certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."
Approved unanimously, for transmission through the Federal Reserve Bank of Philadelphia.

Letter to the board of directors of "Pee Dee State Bank," Timmonsville, South Carolina, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, 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 Richmond.

Approved unanimously, together with a letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Pee Dee State Bank, Timmonsville, South Carolina, 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 Chief Examiner, State Board of Bank Control for the State of South Carolina, for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the form of certificates of deposit on which interest is paid, as described on page 16 of the report of examination for membership."

Letter to organizers of "American Bank and Trust Company," Bessemer, Alabama, stating that, subject to conditions of membership numbered 1 to 3 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 Atlanta:
"4. At the time of admission to membership, such bank shall have a paid-up and unimpaired capital stock of not less than $100,000 and other capital funds of not less than $100,000."

The letter also contained the following special comments:

"It appears that although the bank will possess authority to exercise fiduciary powers, it expects to exercise no powers other than those usual to commercial banking. The application has been approved on this basis and attention is called to the fact that under the provisions of condition of membership numbered 1 if the bank should desire in the future to exercise fiduciary powers, it will be necessary for the bank to obtain the Board's permission to do so."

"Acceptance of the conditions of membership contained in this letter should be evidenced by a resolution adopted by the board of directors after the bank's charter has been issued. The board of directors also should adopt, at the same time, a resolution ratifying the action which has been taken in the bank's behalf in making application for membership in the Federal Reserve System. A certified copy of each resolution should be transmitted to the Federal Reserve Bank. Arrangements will thereupon be made to accept payment for an appropriate amount of Federal Reserve Bank stock, to accept the deposit of the required reserve balance, and to issue the appropriate amount of Federal Reserve Bank stock to the bank."

Approved unanimously, together with
the following letter to Mr. McLarin,
President of the Federal Reserve Bank of Atlanta:

"The Board of Governors of the Federal Reserve System approves the application made on behalf of the American Bank and Trust Company, Bessemer, Alabama, for membership in the Federal Reserve System, effective if and when the bank is authorized to commence business by the appropriate State authorities, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the organizers 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 Alabama, for her information."
"Before issuing stock in the Federal Reserve Bank of Atlanta to the new State institution, you are requested to satisfy yourself that its capital stock of $100,000 has been paid in, that a charter has been issued, and not less than $100,000 of other capital funds provided as set forth in the plan submitted. At such time your Counsel should review all steps taken in the organization of the bank and certified copies of all organization papers should be forwarded to the Board, together with a copy of Counsel's opinion."

Telegram to Mr. Wayne, Vice President of the Federal Reserve Bank of Richmond, reading as follows:

"Retel twelfth Board extends to August 13, 1946, the time within which Bank of Northumberland, Incorporated, of Heathsville, Virginia, may accomplish membership."

Approved unanimously.

Letter to the National City Bank of New York, New York, New York, reading as follows:

"This refers to the letter of July 3, 1946 from Vice President L. N. Shaw of your bank requesting an extension of the time within which you may establish a branch at Porto Alegre, Brazil.

"The Board of Governors of the Federal Reserve System granted its permission on February 17, 1944 for the establishment of such branch provided it was established and opened for business on or before February 15, 1945 and by its letters of February 1, 1945 and July 13, 1945 extended such time to August 15, 1945 and August 15, 1946, respectively.

"The Board of Governors of the Federal Reserve System extends to August 15, 1947 the time within which The National City Bank of New York may establish and open for business a branch at Porto Alegre, Brazil, in accordance with the provisions of its order of February 17, 1944."

Approved unanimously, for transmission through the Federal Reserve Bank of New York.

Letter to Mr. Hall, Director, Bureau of Engraving and Printing, Treasury Department, Washington, D. C., reading as follows:
Reference is made to your letter of June 27 inquiring whether there is any objection to the delivery of two full sheets and 3,976 single notes each of the $5, $10, and $20 denominations of Federal Reserve notes of the Federal Reserve Bank of Richmond on requisition by the Treasurer of the United States with the understanding that the full sheets of notes will be sold to a currency collector.

"No objection will be offered to the proposed arrangement. It is understood that requisition will be made by the Treasurer in the usual manner for full packages of 4,000 notes each and that the detailed arrangement for a partial delivery of the notes in full sheets will be made between the Treasurer of the United States and the Bureau of Engraving and Printing."

Approved unanimously.

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

"This is in reply to your letter of June 28, enclosing copy of a letter dated June 27 from Mr. Jack G. Butler, Vice President, Industrial Bank and Trust Company, St. Louis. These communications relate to the recent amendment to section 2(e) of Regulation W.

"To exempt an instalment sale in case the article sold has a price of over $1,500 would amount, of course, to relaxing the terms of the regulation. That was not the purpose of the recent amendment, which was intended (as you know) merely to give the vendor the same privilege that the lender has always had.

"This implies, as you will note, that we are not impressed by the argument that the exemption proposed would tighten the regulation and consequently operate to restrain the growth of credit. It seems to us, on the contrary, that if further restraint should really be called for the appropriate action would not be the one suggested but action to raise the present $1,500 figure to some higher level.

"Perhaps Mr. Butler does not intend his suggestion to depend on the $1,500 figure mentioned in his letter. He may mean to suggest that an appropriate figure -- whatever its amount -- should apply to the sale price rather than to the deferred balance. While, as indicated above, such a change would not necessarily help to equalize the status of vendors and lenders, which was the purpose of the related change in Amendment No. 20, the possibility of such a change will be given further consideration as an independent suggestion."
"We trust that this may be of use to you in dealing with the question presented by Mr. Butler."

Approved unanimously.

Thereupon the meeting adjourned.

Approved: [Signature]

Chairman.