

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, August 9, 1946, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Szymczak
Mr. Draper

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Mr. Vardaman was absent for the reasons stated in the minutes of the Board of Governors of the Federal Reserve System for August 6, 1946.

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

Telegrams to Mr. Clarke, Assistant Counsel and Assistant Secretary of the Federal Reserve Bank of New York, Mr. Blair, Secretary of the Federal Reserve Bank of Cleveland, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, 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. Mangels, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 6, and by the Federal Reserve Banks of New York, Cleveland, Chicago, St. Louis, Minneapolis and Kansas City on August 8, 1946, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

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"Reurtel August 9. Effective August 10, 1946, Board approves establishment of following effective minimum buying rates on bankers' acceptances: 3/4 per cent for maturities up to 90 days, 7/8 per cent up to 120 days, and one per cent up to 180 days. Reestablishment of all other rates now in effect at your Bank also approved by the Board."

Approved unanimously.

Memorandum dated July 31, 1946, from Mr. Smead, Director of the Division of Bank Operations, recommending that the basic annual salaries of the following employees in that Division be increased to the amounts shown, effective August 11, 1946:

<u>Name</u>	<u>Title</u>	<u>Proposed Increase</u>	
		<u>From</u>	<u>To</u>
Ball, Margaret K.	Clerk	\$2,895.60	\$3,021.00
Benson, Catherine Lee	Clerk	2,243.52	2,318.76
Boyer, Rita S.	Clerk	3,021.00	3,146.40
Bryan, Evelyn	Clerk	2,895.60	3,021.00
Collins, Wesley B.	Messenger	2,093.04	2,168.28
Conkling, Gerald M.	Technical Assistant	7,341.60	7,581.00
Connell, J.J.	Technical Assistant	5,654.40	5,905.20
Conover, Esther W.	Clerk	2,770.20	2,845.44
Daniels, Mortimer B.	Technical Assistant	7,341.60	7,581.00
Goheen, Loretta M.	Senior Clerk	3,397.20	3,522.60
Jones, Marjorie F.	Senior Clerk	3,397.20	3,522.60
Millican, Thelma C.	Clerk	2,770.20	2,845.44
Severud, Esther	Clerk-Stenographer	2,770.20	2,845.44
Skinner, Carl M.	Clerk	2,168.28	2,243.52
Pinn, William E. *	Messenger	2,093.04	2,168.28

* Part time in Office of Administrator for War Loans and part time in Division of Bank Operations.

Approved unanimously.

Memorandum dated August 7, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Joyce S. Reid be appointed to the position of Stenographer in that Division, at a salary of \$2,394.00 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the

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usual physical examination. The memorandum also stated that Mrs. Reid would become a member of the Federal Reserve retirement system.

Approved unanimously.

Letter to Mr. Neely, Chairman of the Federal Reserve Bank of Atlanta, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Atlanta made as of May 10, 1946 by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished to President McLarin.

"The examiners' references to the successful efforts made to eliminate or reduce certain personnel and operations difficulties have been noted with considerable interest and encouragement. We hope that further progress can be effected.

"The Board will appreciate advice that the report has been considered by your Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Letter to Mr. Clerk, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors approves the payment of salaries to the following officers of the Federal Reserve Bank of San Francisco and its Branches for the period September 1, 1946, through April 30, 1947, at the rates indicated, which are the rates fixed by the Board of Directors as reported in your letter of August 1, 1946:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
H. Armstrong	Assistant Cashier	\$ 6,500
Ronald T. Symms	Assistant Cashier	7,000
J. A. Randall	Assistant Cashier	6,500

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
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Head Office (Cont)

R. C. Milliken	Assistant Cashier	\$ 5,500
John A. O'Kane	Assistant General Counsel	7,000
Oliver P. Wheeler	Director of Research	9,500

Los Angeles Branch

W. N. Ambrose	Managing Director	13,000
Fred C. Bold	Assistant Manager	9,000
M. McRitchie	Assistant Manager	7,000
C. H. Watkins	Assistant Manager	7,000
E. R. Barglebaugh	Assistant Manager	5,800

Portland Branch

D. L. Davis	Managing Director	12,000
D. E. Bent	Assistant Manager	6,000
J. P. Blanchard	Assistant Manager	5,500

Salt Lake City Branch

W. L. Partner	Managing Director	10,000
R. E. Everson	Assistant Manager	7,000
W. M. Scott	Assistant Manager	5,600
O. H. Barnard	Assistant Manager	5,300

Seattle Branch

C. R. Shaw	Managing Director	12,000
B. A. Russell	Assistant Manager	7,000
D. E. Simms	Assistant Manager	6,300
R. H. Morrill	Assistant Manager	6,500

Approved unanimously.

Memorandum dated June 26, 1946, from the Division of Bank Operations submitting the triennial reviews made by the Federal Reserve Banks as of December 31, 1945, covering member banks in outlying sections of reserve cities and Chicago authorized to carry lower reserves on

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deposits than are required to be carried by other banks located in such cities. The reviews were made by the Reserve Banks in compliance with the Board's letters of October 5, 1933 and December 16, 1940. The memorandum stated (1) that each Federal Reserve Bank had recommended continuance of the existing reserve status of the member banks in its district which had been granted permission to carry reduced reserves and (2) that it was the recommendation of the Division that each of the Reserve Banks be advised that the Board had considered the Bank's recommendation and had decided that the member banks having permission to maintain reduced reserves might continue to do so until further notice.

When the memorandum from the Division of Bank Operations was sent to Mr. Vardaman, he suggested that the procedure calling for triennial reviews be changed to provide for a review in connection with the examination of each member bank which had been granted permission to carry reduced reserves and a letter to the Presidents of the Federal Reserve Banks had been prepared by the staff to carry his suggestion into effect.

The recommendation contained in the memorandum from the Division of Bank Operations was approved unanimously, together with the following letter to the Presidents of the Federal Reserve Banks which had been prepared in accordance with Mr. Vardaman's suggestion:

"This letter is for the purpose of amending the outstanding instructions of the Board to the Federal Reserve Banks with respect to permission granted to banks in outlying districts of reserve and central reserve cities to carry reduced reserves, and supersedes the Board's letters

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of October 5, 1933 and December 16, 1940 (X-7629 and S-246, F.R.L.S. #6050).

"As a matter of general policy, the Board is disposed to grant permission to any member bank located in an outlying district of a central reserve or reserve city to carry reduced reserves provided the character of its business is typical of banks located in and serving primarily outlying communities of such cities. In submitting the application of a member bank for permission to carry reduced reserves, a full statement (including the information called for in items 1 to 5 and 8 to 10 below) should be furnished of the facts upon which your Bank bases its recommendation.

"In accordance with the Board's letter of December 16, 1940, S-246, the Federal Reserve Banks have made reviews at three-year intervals and have furnished the Board with reports and recommendations covering member banks in their respective districts located in outlying sections of central reserve and reserve cities (except New York City) which have permission to carry lower reserves on deposits than are required to be carried by other banks located in such cities. The Board wishes to change the procedure with respect to these reviews and will appreciate it if in place of the triennial review each Federal Reserve Bank hereafter will review the situation with respect to each such member bank upon completion of the examination thereof if it is a State bank and upon receipt of the first report of examination in each calendar year if it is a national bank. If, upon completion of such review, the Federal Reserve Bank is of the opinion that the permission to carry reduced reserves should be revoked or that it is a border-line case which should be brought to the Board's attention for consideration, it is requested that the Federal Reserve Bank submit its recommendation to the Board, together with the memorandum reviewing the bank's situation. Upon receipt of the recommendation of your Bank, the matter will be considered and you will be advised of the Board's decision. If, however, the Federal Reserve Bank is satisfied that the permission to carry reduced reserves should be continued, it will be sufficient if a statement to that effect, together with the memorandum reviewing the bank's situation, is placed in the Federal Reserve Bank's files.

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"When a case is referred to the Board for consideration, it is requested that, in addition to such other data and comments as the Reserve Bank may deem it desirable to submit with its recommendation, the following information with regard to the subject member bank be furnished the Board:

- (1) Demand deposits excluding interbank
- (2) Time deposits excluding interbank
- (3) Number and amount of interbank deposit accounts
- (4) Total deposits
- (5) Number, amount, and nature of large accounts included in items 1 and 2 above
- (6) What change, if any, there has been since the previous review in the general character of the bank's business, or in the economic character of the district in which the bank is located
- (7) What change, if any, there has been in ownership or operating policies of the bank
- (8) Whether the bank has established any branches in the downtown financial section of the city or elsewhere
- (9) Distance of the bank from what is generally regarded as the downtown business and financial district of the city
- (10) Distance of the bank from nearby banks, and whether such banks have permission to carry reduced reserves

"If, in the period between the reviews provided for above, a member bank which has permission to carry reduced reserves establishes a downtown branch or if there is brought to your attention any change in the character of its business which might warrant revocation of the permis-

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"sion to carry reduced reserves, the facts in the case should be brought to the Board's attention promptly with such recommendation as you may wish to make."

Letter to Mr. H. M. Weitzenhoffer, Equitable Finance Co.,
813 Perrine Building, Oklahoma City, Oklahoma, reading as follows:

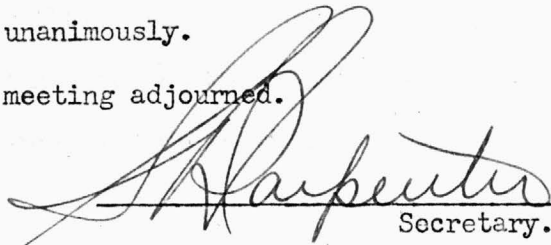
"This refers to your letter of July 29, 1946, which raises a question about the Statement of Transaction provided for in section 4(d) of Regulation W.

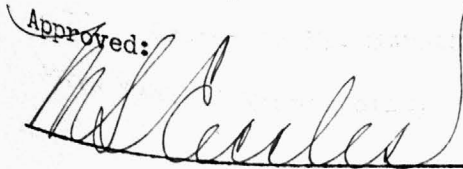
"The dollar figure in this section was left at \$6 intentionally in order to prevent misrepresentation and consequent avoidance of down payment in cases where articles which actually have a cash price of \$10 are treated as costing less than that amount. If there is no record of what has happened, avoidance is facilitated.

"In case the item is actually priced at \$6 to \$10, the statement may be completed without showing any down payment if such in fact has not been obtained. Our investigations have indicated that almost all merchants use for their own purposes some sort of statement which can be adapted to give the information required by the regulation."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:

Chairman.