

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 8, 1947.

PRESENT: Mr. Draper
Mr. Evans

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

As stated in the minutes of December 26, 1946, Mr. Vardaman was absent on official business.

Memorandum dated January 7, 1947, from Mr. Carpenter, recommending that Mrs. Mary H. Watson, a file clerk in the Secretary's Office, be retained in active service for the year 1947, although she reaches the retirement age of 65 on June 8, 1947.

Approved unanimously.

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

"In accordance with the request contained in Mr. Earhart's letter of January 3, 1947, the Board of Governors approves, effective January 1, 1947, the payment of salary to Mr. E. H. Galvin, as Alternate Assistant Federal Reserve Agent, at the rate of \$5,700 per annum."

Approved unanimously.

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

"This will acknowledge receipt of your letter of January 4, 1947, requesting approval of the directors' fees and allowances for the year 1947 as fixed by your board of directors at its meeting on January 3, 1947.

"As you know, the Board has under consideration the adoption of a revised schedule of fees and allow-

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"ances for directors of the Federal Reserve Banks and their branches, and it is expected that action will be taken on this matter in the near future. The Board would suggest, therefore, that the fees and allowances as approved in the Board's letter of January 29, 1946 for directors of the Federal Reserve Bank of San Francisco and its branches be continued until such time as a decision is reached on the proposed new schedule."

Approved unanimously.

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

"Re your letter January 7, 1947, regarding Clayton Act situation involving Northern National Bank at Presque Isle, Maine, and Washburn Trust Company at Washburn, Maine. Board sees no reason to differ from views expressed by General Counsel of your bank that Presque Isle and Washburn are not contiguous or adjacent within the meaning of the Clayton Act."

Approved unanimously.

Letter to "The Commercial National Bank of Kansas City", Kansas City, Kansas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority, effective if and when the proposed consolidation of the Kansas Trust Company with your bank is consummated, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Kansas, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of December 27, 1946, regarding the action recently taken by the Federal Reserve Banks of St. Louis and Atlanta for the purpose of eliminating the practice of certain of their member banks of absorbing expenses arising in connection with money shipments made by those Federal Reserve Banks to nonmember banks at the request of member banks.

"As indicated in the enclosures with the Board's letter of November 5, 1946, on this subject, the action of the Federal Reserve Banks of St. Louis and Atlanta was taken only after consideration of various possible alternative methods of endeavoring to meet the problem. Regulation Q provides that any payment to or for the account of any depositor as compensation for the use of funds constituting a deposit shall be considered interest. As you know, however, as a practical matter it is very difficult to show in a particular case that the absorption of certain expenses is intended as compensation for the use of funds on deposit, although that is doubtless the real purpose of the absorption in most instances. For this reason it was felt that it would be difficult to deal with the problem successfully by considering the particular facts of each case as it arises.

"It is possible, of course, as indicated in your letter, that a member bank which desires to absorb shipping expenses incident to shipments of currency to its nonmember correspondent banks could accomplish this purpose by having the currency shipped to itself by the Federal Reserve Bank and by then reshipping it to such correspondent banks. Such a procedure, however, would obviously involve greater expense to the absorbing member bank and delay in the currency reaching the nonmember bank, and for these reasons it seems unlikely that the practice would ever become very widespread.

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"It is recognized that the action which has been taken may not prove to be entirely successful in accomplishing its objectives or that objections to it may develop. However, the Board gave its approval to the action since it appeared to be a reasonable procedure and one which it hoped would serve to minimize the practice. If it does not prove effective, further consideration of alternative methods may be necessary.

"We are taking the liberty of sending a copy of your letter and a copy of this reply to the Presidents of the Federal Reserve Banks of Atlanta and St. Louis for their information."

Approved unanimously.

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

"Referring to your letter of January 4, 1947, the Board of Governors will interpose no objection to the purchase by your Bank of the property described in your letter for \$20,000 plus a commission of \$1,000, provided the City agrees to your proposal and you secure agreements from adjoining property owners sufficient to satisfy your Counsel that you will have the right to close the present alley between your properties upon opening the proposed alley."

Approved unanimously.

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

"Reference is made to your letter of December 26, requesting authority for the improvement of the basement of the Little Rock Branch at an approximate cost of \$10,000. It is noted that the working quarters in the basement area exist in their original unfinished condition and that the alterations will provide quarters commensurate with those provided to other departments and also create satisfactory replacement for storage space now rented at a cost of \$150 per month.

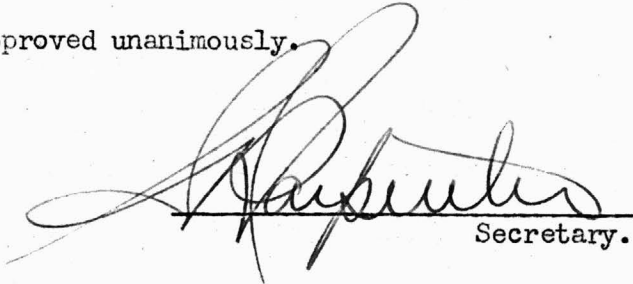
"The Board will interpose no objection to your Bank's undertaking the improvements of the Little Rock

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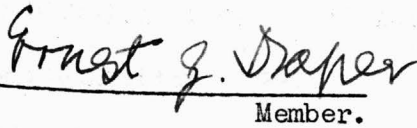
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"building, as outlined in your letter, provided the cost of any such alterations as may be considered a part of the cost of the building proper will not increase the cost of the building beyond the statutory limitation."

Approved unanimously.


Secretary.

Approved:


Member.