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Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 17, 1947.

PRESENT: Mr. Eccles, Chairman
 Mr. Draper
 Mr. Evans
 Mr. Vardaman
 Mr. Clayton
 Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 14, 1947, were approved unanimously.

Memorandum dated March 11, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending that Mrs. Marguerite A. Payne, Secretary to Mr. Paulger, be transferred to the Division of Examinations as Secretary to Mr. Sloan, effective April 1, 1947, with no change in her present basic salary of \$3,773.40 per annum.

Approved unanimously.

Memorandum dated March 10, 1947, from Mr. Pethes, Director of the Division of Administrative Services, recommending that increases in the basic annual salaries of the following employees in that Division be approved effective March 23, 1947:

Name	Designation	Salary Increase	
		From	To
Morris Mayhew	Gardener	\$2,469.24	\$2,544.48
Arad B. Shipp	Gardener	2,469.24	2,544.48
Mary V. Dellatorre	Stenographer	2,318.76	2,394.00
Alice C. Brown	Clerk	2,093.04	2,168.28
Bricen Barnes	Operator (Duplicating Devices)	2,020.00	2,093.04

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Name	Designation	Salary Increase	
		From	To
Clara Ray Cook	Charwoman	\$1,822.00	\$1,888.00
Elizabeth M. Young	Charwoman	1,822.00	1,888.00
Sandra Bigler	Elevator Operator	1,690.00	1,756.00
Evelyn Lewis	Elevator Operator	1,690.00	1,756.00

The memorandum also recommended that the appointment of Bricen Barnes be changed from temporary indefinite to permanent, effective March 23, 1947.

Approved unanimously.

Memorandum dated March 14, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Rebecca M. Swygert as an Assistant Supervisor in the Cafeteria in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,394 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Miss Swygert would become a member of the Federal Reserve retirement system.

Approved unanimously.

Letter to Honorable Maple T. Harl, Chairman of the Federal Deposit Insurance Corporation, prepared in accordance with the action taken at the meeting of the Board on February 25, 1947, and reading as follows:

"Reference is made to the recent discussion by members of the Board's staff and representatives of your Corporation concerning requests which are received from time to time from other Government agencies for information contained in bank examination reports.

"The Board has considered the question as to the practice which it should follow with respect to requests received by it. The Board believes that in so

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"far as practicable it should cooperate with other Government agencies seeking information for use in the performance of their official duties, particularly where the purpose is to assist in developing leads which may help to establish violations of law. In doing so, however, it is necessary to protect the confidentiality of examination reports and provide adequate safeguards against improper use of the reports and information contained in them. Accordingly, the Board believes that it should consider requests of this nature only where (1) the request is submitted in writing by the appropriate authority of the agency desiring the information, (2) the request states that the matter involved arose, and the information is desired, in connection with the discharge of official duties of the agency, and (3) there is an understanding with the agency that the information will be used only in developing leads in connection with an investigation, that no reference is to be made to the source of the information, and that no effort will be made to use the information as evidence in any court or other similar proceeding. It is contemplated that in furnishing information, examination reports will not be permitted to leave the Board's offices.

"The foregoing is merely for your information in order that you may be fully advised as to the Board's policy with respect to this matter. It has no application, of course, to the routine interchange of reports and information between the Board and your Corporation and the Comptroller of the Currency."

Approved unanimously, together
with a similar letter to Honorable
Preston Delano, Comptroller of the
Currency.

Letter prepared for Chairman Eccles' signature to Honorable
Charles B. Henderson, Chairman of the Board, Reconstruction Finance
Corporation, reading as follows:

"Our Board has read with interest your letter of March 11, 1947, stating that the Reconstruction Finance Corporation feels that its investment in the preferred capital of banks should now be retired as promptly as possible, compatible with safe banking practices, and requesting the cooperation of the Board of Governors in encouraging State member banks to retire such capital when it can be done on a basis consistent with the best interests of the institutions concerned.

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"The Board concurs wholeheartedly in the position expressed in your letter. The Reserve Banks are being requested to cooperate in the program of retirement and a copy of your letter and of this reply is being sent to the president of each Federal Reserve Bank with the request that the Reserve Bank review the cases of State member banks in the district with a view to having concrete plans developed, wherever possible, for the retirement of your Corporation's preferred capital holdings, where it can be done on a basis consistent with the public interest.

"With kind personal regards."

Approved unanimously, together
with a letter to the Presidents of
all the Federal Reserve Banks reading
as follows:

"Attached is a copy of a letter dated March 11, 1947, from Chairman Henderson of the Reconstruction Finance Corporation stating that the Corporation feels that its investment in the preferred capital of banks should now be retired as promptly as possible and requesting the cooperation of the Board in encouraging State member banks to retire such capital when it can be done on a basis consistent with the best interests of the institutions concerned. It is understood that similar letters have been addressed to the Comptroller of the Currency and the Federal Deposit Insurance Corporation. Attached also is a copy of Chairman Eccles' reply to Mr. Henderson.

"As you know, the investment of Government funds in the capital of banks through purchases by the Reconstruction Finance Corporation was purely an emergency measure following the Banking Holiday in 1933 to provide temporary assistance until the banks could put their houses in order. The Reconstruction Finance Corporation capital was not intended to form part of the permanent capital of a bank nor to be a Government subsidy whereby banks could use Government funds over extended periods for their own profit.

"While the greater part of such preferred capital has been retired in the fourteen years which have elapsed since the Banking Holiday, there was still outstanding at the end of January, 1947, approximately

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"\$176,000,000 of such capital. A greater amount of this was in State member banks than in either national or nonmember insured banks.

"The Board is in full agreement with and heartily endorses the views expressed in Mr. Henderson's letter. The Board feels that, wherever it can be done soundly, Reconstruction Finance Corporation holdings of bank capital should be retired as promptly as possible in view of the length of time which has elapsed since the Government assistance was provided, the extended period of high earnings for banks, the opportunities banks have had to effect necessary corrections and to arrange for permanent capital, the desirability of banks operating on their own resources, the availability of private capital, and the fact that retirement of preferred capital owned by the Reconstruction Finance Corporation represents the return of Government funds.

"It will be appreciated if you will cooperate with the Reconstruction Finance Corporation in this program and review the cases of State member banks in your district in which the Reconstruction Finance Corporation owns preferred capital with a view to having concrete plans developed, wherever possible, for the retirement of such capital where it can be done on a basis consistent with the public interest."

Memorandum dated March 11, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the purchase of insurance to cover the Board's liability as a result of employees driving their personal cars in the course of their employment, with bodily injury liability limits of \$50,000 for any one person, \$100,000 for any one accident, and \$5,000 property damage for any one accident. The memorandum also stated that the approximate cost of this amount of insurance would be \$75.00 per year, and recommended that the appropriate budget classification

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of the Division of Administrative Services be increased accordingly.

Approved unanimously.

[Handwritten signature]
Secretary.

Approved:

[Handwritten signature]
Chairman.