

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, April 18, 1947.

PRESENT: Mr. Eccles, Chairman
Mr. Draper
Mr. Evans
Mr. Vardaman

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 17, 1947, were approved unanimously.

Telegrams to Mr. Clarke, Assistant Secretary of the Federal Reserve Bank of New York; Mr. McCreedy, Secretary of the Federal Reserve Bank of Philadelphia; Mr. McLarin, President of the Federal Reserve Bank of Atlanta; Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago; and Mr. Volberg, 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 April 16, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on April 17, 1947, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated April 14, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Paul H. Banner be appointed as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$4,149.60

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per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that Mr. Banner was a member of the Civil Service retirement system and would remain in that system.

Approved unanimously.

Memorandum dated April 15, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Miss Mary Florence Miller as a clerk in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,318.76 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 Miss Miller was a member of the Civil Service retirement system and would remain in that system.

Approved unanimously.

Memorandum dated April 17, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, W. B. Lassen be appointed as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,648 per annum, and with official headquarters at Chicago, Illinois. The memorandum also stated that Mr. Lassen

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was a member of the Federal Reserve retirement system and would remain in the system.

By unanimous vote, Mr. W. B. Lassen was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Chicago, Illinois, and with basic salary at the rate of \$3,648 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

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

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York, involved in the consolidation of the Records Section (consignment) with the Delivery Section (consignment) of the Savings Bond Issue Division, Government Bond Department, as submitted with your letter of April 14, 1947."

Approved unanimously.

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

"Reference is made to Mr. Stewart's letter of April 11, 1947, containing an excerpt from the minutes of the meeting of the Board of Directors held on April 10, which

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"indicates that his resignation as Secretary was accepted effective April 14, 1947, in order to permit him to assume the managership of the Little Rock Branch.

"It is also noted that, effective as of the same date, Mr. Lewis H. Carstarphen was elected to serve as Secretary of the Bank, in addition to serving as General Counsel.

"Accordingly, the Board of Governors approves the payment of salary to Mr. C. M. Stewart as Vice President at his present rate of \$10,000 per annum, for the period April 14, through April 30, 1947. In the Board's telegram of December 23, 1946, you were advised of the approval of Mr. Stewart's salary as Vice President in charge of the Little Rock Branch.

"The Board of Governors also approves the payment of salary to Mr. Lewis H. Carstarphen as General Counsel and Secretary at his present rate of \$9,000 per annum, for the period April 14, through May 31, 1947."

Approved unanimously.

Letter to Mr. Wellman, Deputy Chairman of the Federal Reserve

Bank of San Francisco, reading as follows:

"The members of the Board of Governors are pleased that your directors gave the Board's letter of March 28, 1947, regarding salaries of officers, the thorough consideration indicated in your reply of April 14. You are entirely correct that it was the purpose of the Board's letter to call for such comment as the directors might wish to make.

"The statement contained in your letter, however, raises a number of important points and inasmuch as Chairman Eccles will be at the Bank later in the month the Board has asked him to discuss the whole matter with your directors at that time."

Approved unanimously.

Telegram to Mr. Wayne, Vice President of the Federal Reserve

Bank of Richmond, reading as follows:

"Relet 16 in view your recommendation Board approves additional investment in bank premises by The Fidelity

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"Bank, Durham, North Carolina, in the amount of approximately \$355,000, provided prior approval of appropriate State authorities is obtained if required."

Approved unanimously.

Letter to Mr. Willard G. Barker, Vice President, Suburban National Bank of Silver Spring, Silver Spring, Maryland, reading as follows:

"This refers to your letter of April 15, 1947, regarding the plan by which Sears, Roebuck and Co. assists certain of its employees to purchase stock of that company. The stock is registered on a national securities exchange. You wish to know whether a loan which you might make to such an employee to enable him to purchase stock under the plan would be subject to the Board's Regulation U.

"Under the plan, certain employees are in effect given the privilege of purchasing specified numbers of shares of Sears, Roebuck and Co. at \$19.05 a share. The employee sends his check to the company and the company purchases the stock for him in the open market, supplying the difference between \$19.05 a share and the market price. At recent market prices, this difference would amount to about \$15 a share.

"Regulation U does not apply to any loan that is not secured directly or indirectly by any stock. However, it seems clear that a loan which you might make to an employee to enable him to purchase shares under the plan would be a loan for the purpose of purchasing or carrying a registered stock. Therefore, if you should make such a loan and it should be secured by any stock, the loan would be subject to the regulation. This would mean, of course, that the loan would have to be limited to the loan value of the collateral, which at the present time is 25 per cent of market value for stocks and as determined by the bank in good faith for collateral other than stocks.

"The Letter which you enclosed is returned herewith as you requested."

Approved unanimously.

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Letter prepared for Chairman Eccles' signature to the Honorable Charles W. Tobey, Chairman, Committee on Banking and Currency, United States Senate, reading as follows:

"This is in response to Mr. Hill's letter of April 9, 1947, requesting an opinion as to the merits of the bill S. 1070, which has been referred to the Senate Committee on Banking and Currency.

"This bill would provide for the cancellation of all capital stock of the Federal Deposit Insurance Corporation and the repayment by the Corporation to the Secretary of the Treasury and to the Federal Reserve Banks of the amounts received on account of subscriptions to such stock. In addition, the bill would provide that no assessments should be made by the Corporation upon insured banks whenever the surplus of the Corporation on the first day of January or July of any year may equal or exceed \$1,000,000,000, except that if on those dates in any year the surplus should not exceed \$990,000,000, the Corporation would be authorized to make assessments at a rate not in excess of one-twenty-fourth of 1 per centum per annum.

"The stock of the Federal Deposit Insurance Corporation held by the several Federal Reserve Banks was subscribed by such banks in the amount of one-half of their surplus as of January 1, 1933. In recent years, however, the earnings of the Federal Reserve Banks have been such that the amount of funds taken from their surplus for this purpose in 1933 has been restored. Accordingly, the Board feels that, if the stock held by the Reserve Banks is cancelled, the amounts received by the Corporation on account of such stock should be paid to the Secretary of the Treasury rather than to the Federal Reserve Banks in the manner provided by this bill. Such payment to the Treasury would be in accordance with the recommendation contained in the President's Budget Message for 1948. It is believed, therefore, that appropriate changes should be made in the language of the bill to provide for repayment to the Treasury, rather than to the Federal Reserve Banks, of the proceeds of stock of the Federal Deposit Insurance Corporation which was subscribed to by the Reserve Banks.

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"With respect to that provision of the bill which would result in the cancellation of all stock of the Federal Deposit Insurance Corporation subscribed to by the Secretary of the Treasury on behalf of the United States, your attention is called to the fact that the President's Budget Message for 1943 recommended the repayment by the Corporation to the Treasury of only \$100,000,000 of the \$150,000,000 furnished by the Treasury for capital stock of the Corporation.

"The bill does not provide for any immediate reduction in the assessment rate on deposits. In view of the amount of capital funds which the Corporation would have, even after the repayment of capital stock as above indicated, it is believed that consideration should be given to an immediate reduction of the present rate of assessment of 1/12 of one per cent per annum to a somewhat lesser rate of, say, 1/15 or 1/20 of one per cent per annum, to remain in effect until such time as capital funds reach \$1,000,000,000. This might be accomplished either by fixing such a rate in the bill or by a provision leaving to the determination of the Federal Deposit Insurance Corporation the precise extent of such a reduction in the rate.

"However, if at any time in the future the capital funds of the Corporation should be reduced to a point where they do not exceed \$990,000,000, it is believed that, since the extent of any such reduction cannot now be foreseen, the Corporation should be authorized to fix a rate of assessment somewhat higher than the maximum prescribed by the bill. For this reason, it is our view that the maximum rate of assessment which could be imposed under such circumstances in the discretion of the Corporation should be changed from 1/24 to 1/12 of one per cent per annum.

"The Board is in favor of legislation on this subject. It hopes that changes may be made in the bill S. 1070 to conform with the Board's suggestions and that the bill, as so changed, will receive favorable consideration by your Committee and will be enacted by Congress."

Approved unanimously.

Telegram to Mr. Rouse, Vice President of the Federal Reserve

Bank of New York, reading as follows:

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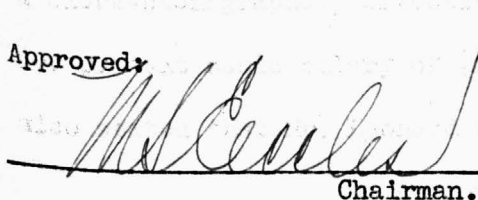
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"Board of Governors approves loan or loans to Bank of England against gold held under earmark for Bank of England's account at your Bank under circumstances and on terms and conditions set forth your wire this date."

Approved unanimously.


Secretary.

Approved:


Chairman.

Chairman.