

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 10, 1947.

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

Mr. Carpenter, 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 November 7, 1947, were approved unanimously.

Memorandum dated November 7, 1947, from Mr. Szymczak recommending that the appointment of Miss Theodosia Kinney, a stenographer in his office, be changed from temporary indefinite to permanent effective November 10, 1947.

Approved unanimously.

Memorandum dated November 5, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Richard Musgrave, a consultant to that Division, be asked to prepare a critical analysis of a forthcoming Committee for Economic Development policy statement on "Taxes and the Budget: A Program for Prosperity in a Free Economy". The memorandum stated that it was estimated that from 10 to 20 days would be required to prepare this analysis, and recommended that authorization be made for a maximum of 20 working days. The memorandum

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also stated that Mr. Musgrave would be on terminal leave from the Board until December 17, and recommended that the authorized compensation of \$30 per day as consultant be eliminated for such days as fall within the terminal leave period and that in lieu thereof the leave period be extended by an equal number of days, with the understanding that the Board would pay the authorized traveling expenses and the \$8 per diem as provided for consultants.

Approved unanimously.

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

"Retel November 10, 1947, Board approves the designation of William Clifford Gittins as a Special Assistant Examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In reply to your letter of November 4, 1947, the Board approves the appointment of Arthur J. McNulty, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Minneapolis, effective November 10, 1947."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks reading as follows:

"The Federal Deposit Insurance Corporation as an insurer of deposits is directly concerned with the amount

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"of fidelity coverage carried by an insured bank. As a matter of fact, the Corporation is empowered by law to require any insured bank to provide such protection and if the bank refuses to comply with the requirement to contract for the coverage and assess the cost against the bank.

"In a letter dated August 25, 1947, the FDIC requested each insured bank, which had not already done so, to provide the amount of coverage recommended by the Insurance and Protective Committee of the American Bankers Association as 'Fair'. The FDIC subsequently issued instructions to its examiners to request, wherever necessary, that this level of coverage be provided. It also requested the cooperation of the Comptroller of the Currency and the Federal Reserve to the end that all insured banks meet such standard.

"The Schedule of Blanket Bond coverage suggested by the ABA committee lists 'Minimum' and 'Fair' amounts for smaller banks and a range of minimum amounts for larger banks. In the latter case the FDIC regards the larger of the two amounts as the 'Fair' amount.

"The Board is in agreement that all banks should provide adequate amounts of coverage and that, in this connection, the schedules suggested by the bankers' own committee should be regarded as a guide. The Board requests the Reserve Banks to cooperate in this program and endeavor to see that each State member bank provides such coverage as may be appropriate and feasible in the circumstances and, in any event, at least the 'Minimum' amount of coverage suggested by the ABA committee.

"We have heretofore furnished the officers in charge of the Bank Examination Departments of the Reserve Banks with copies of the schedule of Blanket Bond coverage as suggested by the ABA committee. A fuller expression of the policies of the FDIC and the principles and procedures which it has established for its examiners is contained in the enclosed memorandum dated September 15, 1947, which has been incorporated in the FDIC Manual of Examination Policies.

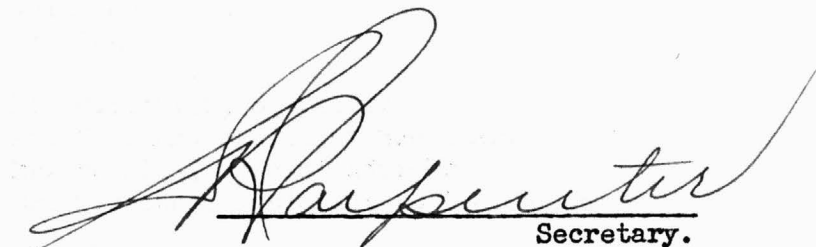
"Although important, the provision of fidelity and other insurance protection is no substitute for appropriate internal safeguards. It is also requested that examiners be instructed to be especially vigilant in reviewing the audit and control practices and procedures

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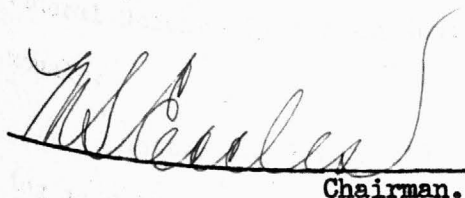
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"in effect in each State member bank examined and include appropriate comments on pages 2 and 16 where the internal safeguards are not regarded as satisfactory."

Approved unanimously.


Secretary.

Approved:


Chairman.