

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 8, 1948.

PRESENT: Mr. Eccles, Chairman pro tem.
 Mr. Szymczak
 Mr. Draper
 Mr. Evans
 Mr. Vardaman
 Mr. Clayton

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 7, 1948, were approved unanimously.

Memorandum dated April 7, 1948, from Mr. Sherman, Assistant Secretary of the Board, recommending, for the reasons stated in the memorandum, that Mrs. Ludmila G. Pelletier, a file clerk in the Secretary's Office, be granted leave without pay for the period March 1 - 26, 1948, both dates inclusive.

Approved unanimously.

Memorandum dated April 8, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Joan G. Tinkelenberg, a clerk-typist in that Division, be accepted to be effective, in accordance with her request, at the close of business April 8, 1948, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

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Memorandum dated April 8, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Helen Roberta Kidwell as a charwoman in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$1,690 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 not contemplated that Mrs. Kidwell would become a member of the Federal Reserve retirement system during her employment on a temporary basis.

Approved unanimously.

Letter to Mr. Rainey, Assistant Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board approves the payment of salary to Mr. O. W. Hammond at the rate of \$3,720 per annum in his present position as Assistant Vault Custodian.

"Any future change in Mr. Hammond's salary which does not place it within the grade range specified by the Board of Governors should have the prior approval of the Board."

Approved unanimously.

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

"Retel April 7, 1948, Board approves the designation of Kyle K. Fossum as special assistant examiner for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

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

"Reurtel Board extends time within which Columbia Bank of Ybor City, Tampa, Florida, may accomplish membership, ten days from April 14, 1948."

Approved unanimously.

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

"This refers to Mr. McConnell's letter dated March 12, 1948, and enclosures, asking for a ruling of the Board as to whether section 32 of the Banking Act of 1933 applies to Mr. W. R. Olson who is president and director of the State Bank of Hawley, Hawley, Minnesota, vice-president and director of the First National Bank, Barnesville, Minnesota, and proprietor of W. R. Olson Company, Fergus Falls, Minnesota.

"It appears from the information which your bank has submitted that Mr. Olson conducts a real estate, mortgage loan, insurance and securities business under the name of W. R. Olson Company. The dollar volume of his trading in securities in which he acts as principal has ranged for each of the four calendar years last past from \$193,033 to \$509,569 and represents from 39 per cent to 55 per cent of the annual total dollar volume of all his business. It also appears that during the past four calendar years the income of W. R. Olson Company derived from the sale of securities has ranged from \$6,830 to \$13,688 annually and represents from 19 per cent to 37 per cent of annual gross income. It is not stated whether the company engages in underwriting, but it is assumed that it does not. Fees from brokerage appear to be relatively small.

"As of course you know, section 32 was one of the provisions of the Banking Act of 1933 designed to divorce commercial banking from the business of dealing in securities, and thus eliminate the dangers resulting from an individual serving a bank which is a potential purchaser

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"of securities and being at the same time a dealer in securities who has a financial interest in promoting the sale or distribution of securities.

"In view of the extent to which W. R. Olson and Company engages in the business of buying and selling securities for its own account in relation to its total business, as shown by the information your bank has submitted, it seems clear that W. R. Olson Company is 'primarily engaged' in the business described in section 32.

"It will be appreciated if you will advise Mr. Olson of the Board's views in this matter. You may also advise him that if he so desires he may submit any additional information having a bearing upon this matter to the Board through your bank provided he does so within a reasonable time. If, however, Mr. Olson does not wish to pursue the matter further you may request him to take such steps as may be necessary to bring his interlocking relationships into conformity with the law."

Approved unanimously.

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

"The Board's letter of March 26, 1948, in reply to yours of March 23, stated that you would be advised further concerning your question on the subject of odd-lot substitutions in an undermargined account under Regulation T as recently amended.

"The question related to cases in which a customer sells securities on a given day and wishes to replace them with others, but the execution of an odd-lot order to purchase the second securities at the market is delayed by reason of the failure of a round lot transaction to occur on the given day. Since the delay causes the purchase to fall on a different day from the sale, the one cannot be offset against the other in an undermargined account. The odd-lot purchase might be executed on the given day by executing it at the offering price instead of waiting for a round lot sale, but this might entail the payment of a somewhat higher price. Your letter raised the question whether, in order to avoid such consequences, an odd-

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"lot order to purchase at the market might be deemed to have been executed on the day when it is entered with an odd-lot dealer.

"Careful consideration has been given to the various phases of the question, including such matters as the status of the adjusted debit balance and the maximum loan value of the securities in the account pending the actual execution of the order, and the Board has concluded that it would not be consistent with the present provisions of the Regulation to treat the order as executed before such execution has occurred."

Approved unanimously.

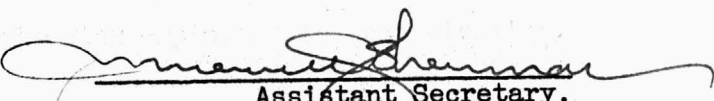
Letter to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of March 29, 1948 concerning substitutions of securities under Regulations T and U as recently amended.


"As you indicate to be the opinion of your Counsel, in order for a sale of securities to be counted toward offsetting a purchase in an undermargined account under the recent amendment to Regulation T, the sale and purchase must occur on the same day, and this is true even though odd-lots may be involved.

"The other questions presented in your letter are receiving consideration and you will soon be advised regarding them."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman pro tem.