

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 4, 1948.

PRESENT: Mr. Szymczak
Mr. Evans

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

Memorandum dated May 3, 1948, from Mr. Smead, Director of the Division of Bank Operations, recommending the appointment of Mrs. Evelyn Norma Lane Woodley as a clerk 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 Mrs. Woodley would become a member of the Federal Reserve retirement system.

Approved unanimously.

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of April 27, 1948, the Board approves the appointment of Carl F. Spaeth, Jr. as an assistant examiner for the Federal Reserve Bank of Chicago. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

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"This refers to your letter dated April 20, 1948, enclosing a copy of a letter dated April 15, 1948, which you have received from Mr. Willard J. Breidenthal, President, The Riverview State Bank, Kansas City, Kansas, relating in part to the proposed organization of a trust company which would be owned by his bank.

"Mr. Breidenthal requests a ruling by the Board as to whether his bank's condition of membership numbered 7, which provides that the bank shall not purchase or acquire any stock of any other bank or trust company, is abrogated by the fact that the Kansas State law now authorizes State banks to purchase stock of trust companies.

"It is the Board's opinion that the enactment of the State statute authorizing banks to purchase stock of trust companies had no effect upon the condition of membership. The existence of the condition of membership, however, is not a matter of major significance in this case in view of the Federal statutes prohibiting the purchase of corporate stocks by State member banks. As you have previously pointed out to the bank, section 9 of the Federal Reserve Act provides that State member banks shall be subject to the same limitations and conditions with respect to the purchasing of stock as are applicable in the case of national banks under section 5136 of the Revised Statutes of the United States, and section 5136 prohibits the purchase of stock of any corporation by a national bank, with certain limited exceptions which are not applicable here. Accordingly, the proposed purchase of the stock of a trust company by The Riverview State Bank is prohibited by the Federal statutes which of course prevail over any provision of State law on the subject."

Approved unanimously.

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

"Please compile and wire Board in time to reach Washington by May 10 following information as of December 31, 1947:

Number of nonmember commercial banks in each State in your District that were eligible for membership on basis of statutory capital requirements (on assumption of retention of branches existing on that date) subdivided between (a) banks on Federal Reserve par list, and (b) banks not on par list.

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"Data compiled from last survey of this kind was as of December 31, 1939, and was included in volumes sent to Chairmen April 18, 1940 and Vice Presidents in charge of examination September 4, 1940."

Approved unanimously.

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

"This refers to your letter of April 21, 1948, requesting the Board's views with respect to S. 2526, a bill 'To remove the limitation upon the maximum deposit insured by the Federal Deposit Insurance Corporation.'

"Under existing law, the maximum amount insured by the Federal Deposit Insurance Corporation for any one depositor in an insured bank is \$5,000. S. 2526 would remove this limitation and provide full coverage for all deposits in insured banks regardless of the size of the deposits.

"The Board believes that the proposed legislation is undesirable. Despite the increase in the size of individual deposit accounts in recent years, a \$5,000 account still is a large account for a great majority of the public and the present coverage provides the protection which Federal Deposit insurance was designed to afford. The removal of the limitation upon the amount insured would be predominantly beneficial to wealthy depositors and to business firms and corporations. As a class, these larger depositors are in a relatively favorable position to protect themselves.

"The additional protection which would be provided by S. 2526 would require a reappraisal of the adequacy of the resources of the Federal Deposit Insurance Corporation. In this connection, you will recall that legislation was enacted last year which directed the Federal Deposit Insurance Corporation to retire its capital stock by the payment of the amount received for the stock (approximately \$289,000,000) to the Treasury in installments which would not reduce the capital and surplus of the Corporation below one billion dollars. A survey made by the Federal Deposit Insurance Corporation in 1945 indicates that, while only a small percentage of deposit accounts are not fully insured, the removal of the \$5,000 limitation would more than double the dollar amount of

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"insured deposits. This increase in the potential liability of the Federal Deposit Insurance Corporation undoubtedly would call for the accumulation of greater resources by the Corporation than might otherwise be necessary.

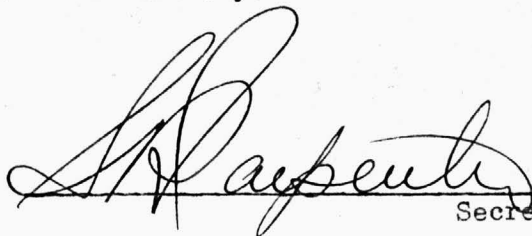
"In view of the foregoing, the Board believes that S. 2526 should not be enacted."

Approved unanimously.

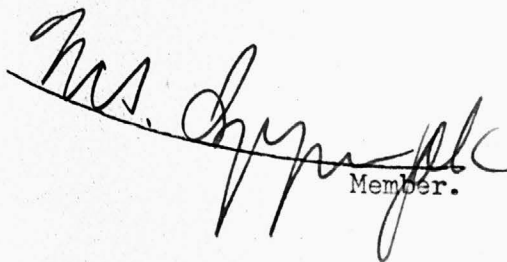
Letter to Colonel R. F. Ennis, GSC, Chief, Intelligence Group, War Department General Staff, Intelligence Division, War Department, reading as follows:

"Reference is made to your letter of April 23, addressed to Mr. Knapp, requesting the assistance of the Board's staff in the preparation of financial data on a selected list of foreign countries. Mr. Knapp has discussed this matter in some detail with Mr. Politte, and this is to inform you that we are prepared to undertake the suggested work with respect to all of the countries indicated except Japan and Germany. These two countries present very special problems, and we regret that we are unable to spare the manpower to cover them effectively. We trust that you will be able to work out alternative methods of handling your studies on these two countries."

Approved unanimously.


Secretary.

Approved:


Member.