Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 21, 1948.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Vardaman
Mr. Clayton
Mr. Carpenter, Secretary
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 May 20, 1948, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on May 18, by the Federal Reserve Banks of New York, Philadelphia, and Atlanta on May 20, 1948, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Dr. Frederic D. Chapman, 1634 Eye Street, N. W., Washington, D. C., reading as follows:

"This letter will confirm the arrangements made with you by the Division of Personnel Administration of this Board with regard to the physical examination by you of such prospective employees of the Board of..."
"Governors of the Federal Reserve System as it may send to you for that purpose. In each instance the person who is to be examined will be given a letter of introduction to you and will be directed to report to your office at such time as you may fix for the examination.

"It is contemplated that you will make each examination in the manner required to determine whether the person examined would be eligible for ordinary life insurance at the normal rate, and it is understood that you will make and preserve in your office a detailed record of the examination on a form of record of medical examination furnished by the Board.

"After the examination has been completed, you will address a letter to the Board stating whether, on the basis of such examination, you approve the person examined for employment by the Board of Governors of the Federal Reserve System. If the results of the examination are unfavorable, you will address a letter to the Federal Reserve Board stating the reasons for the unfavorable report, which, if any, of the unsatisfactory conditions can be corrected, and the steps necessary to effect such correction.

"It is also understood that if at any time the Board desires a detailed report of the results of your examination of a prospective employee of the Board, you will furnish such report promptly.

"Your fee for each examination and report to the Board of Governors of the Federal Reserve System, including, if requested, a detailed report with regard to the examination, will be $10.00, plus an additional fee of $5.00 where it is necessary to make a Wassermann Test on Cafeteria employees. The fee will be payable upon submission of proper voucher.

"It is understood that you will be available to pay occasional visits to the Board at the request of the Division of Personnel Administration and that you will also be available for call to take care of any accident cases that occur on the Board's premises. The fee for such visits will be at the rate of $5.00 per visit payable upon submission of proper voucher.

"In order that its records may be complete, it will be appreciated if you will address a letter to the Board accepting the arrangements set forth above."

Approved unanimously, together with the following letter to Dr. E. Osmun Barr, 900 Seventeenth Street, N. W., Washington, D. C.:
"The Board of Governors of the Federal Reserve System has decided to discontinue the arrangement made with you as stated in our letter of December 11, 1934, with regard to making the physical examination of prospective employees.

"We will be glad to pick up the records of the examinations made by you if you will advise us when they will be available.

"We appreciate the services rendered in the past."

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

"In accordance with the request contained in your letter of May 14, 1948, the Board approves the appointment of William Clifford Gittins as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with your letter of May 13, 1948 the Board approves the payment of salary to Wilbur T. Blair as Counsel and Secretary at the rate of $8,000 per annum, and the payment of a retainer at the rate of $5,000 per annum to the firm of Squire, Sanders and Dempsey for advisory and consultative legal services, for the period May 1, 1948 to April 30, 1949, inclusive.

"It is understood that extra compensation may be paid to the firm of Squire, Sanders and Dempsey for services in litigation and special matters if authorized by the directors and approved by the Board of Governors."

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

"Reference is made to your letter of May 14, 1948, submitting the request of The Syracuse Trust Company, Syracuse, New York, for approval of the establishment of a branch in Tully, New York, in connection with the proposed absorption of The First National Bank of Tully.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Tully, New York, by The Syracuse Trust Company, Syracuse, New York, provided that the proposed absorption be carried out substantially in accordance with the plan submitted, and provided prior approval of the appropriate State authorities is obtained, and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the absorption and establish the branch."

Approved unanimously.

Telegram to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Relet May 10. In view your recommendation Board approves establishment and operation of branch in Galt, California, by Farmers & Merchants Bank of Lodi, California, provided such branch is established within three months from March 30, 1948, as required by State authorities, and with understanding that counsel for Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish branch."

Approved unanimously.

Letter to Mr. Leach, Chairman, Committee on Operations, Conference of Presidents, c/o Federal Reserve Bank of Richmond, reading as follows:
"Reference is made to your letter of April 30, 1948, in which you state that recommendations for amendments to the Loss Sharing Agreement contained in the report of the Insurance Committee of the Federal Reserve Banks dated December 31, 1947, were approved by the Conference of Presidents held February 25-26, 1948.

"The proposed amendments to the Loss Sharing Agreement are approved by the Board. It is understood that the Insurance Committee will prepare a draft of an amending agreement for submission to and execution by the Reserve Banks."

Approved unanimously.

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

"For your information there is enclosed a copy of a resolution adopted by the Executive Committee of the Federal Advisory Council on May 17, 1948, relating to the proposed amendment to H. R. 2799."

Approved unanimously, together with similar letters to the Honorable A. L. M. Wiggins, Under Secretary of the Treasury, and the Honorable Maple T. Harl, Chairman of the Federal Deposit Insurance Corporation. The resolution referred to in the letter read as follows:

"In connection with the proposed amendment to H.R. 2799, the Executive Committee of the Federal Advisory Council is in agreement with the Board of Governors of the Federal Reserve System that the following three features of the proposed amendment are undesirable:

1. Section 3 of the amendment would authorize the Secretary of the Treasury to purchase up to $1 billion of the obligations issued by the Home Loan Banks. If such authorization is provided at all, it should be limited to well defined emergency situations."
2. Section 6 of the amendment would direct the Secretary of the Treasury to loan to the Federal Savings and Loan Insurance Corporation up to $750 million, as determined by the Home Loan Bank Board. It is appropriate that the Federal Savings and Loan Insurance Corporation, as a Government Corporation, should obtain its funds from the Treasury; but it should first be required to build up adequate reserves to avoid an unnecessary burden on the Treasury.

3. Section 8 of the amendment would make insured share accounts of savings and loan associations lawful investments for fiduciary and public funds. Such shares are not appropriate investments for such funds, but the fact that they were approved as such would convey a misleading sense of liquidity to other investors."

Letter to the Comptroller of the Currency reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 19, 1947, for the printing of Federal Reserve notes of the Federal Reserve Bank of Atlanta in the amount and denomination stated below:

<table>
<thead>
<tr>
<th>Denomination</th>
<th>Number of sheets</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>$20</td>
<td>72,000</td>
<td>$17,280,000</td>
</tr>
</tbody>
</table>

Approved unanimously.

Approved: Chairman.