Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, July 1, 1948.

PRESENT: Mr. Evans
Mr. Vardaman
Mr. Clayton

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

Memorandum dated June 21, 1948, from Mr. Leonard, Director of the Division of Examinations, submitting for approval letters to the following foreign banking corporations calling for the submission of reports of condition as of June 30, 1948:

Bankers Company of New York	New York, New York
First of Boston International Corporation	Boston, Massachusetts
International Banking Corporation	New York, New York
Morgan & Cie. Incorporated	New York, New York
The Chase Bank	New York, New York

The memorandum stated that the first four corporations were organized under State laws but operate under agreements made with the Board pursuant to the provisions of section 25 of the Federal Reserve Act, and that The Chase Bank was chartered by the Board under the provisions of section 25(a) of the Act. The memorandum also stated that no letter to French American Banking Corporation had been prepared as the member banks which owned stock in the corporation had sold their holdings.

Approved unanimously.

Memorandum dated June 29, 1948, from Mr. Coleman, Administrative Assistant to the Chairman, recommending the

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transfer of Miss Catherine L. Schmidt, a stenographer in the Division of Administrative Services, to the Board Members' Section as Secretary to Mr. Riefler with no change in her present basic salary of $3,146.40 per annum, effective immediately. The memorandum also stated that Mr. Bethea had been consulted and was agreeable to the transfer.

Approved unanimously.

Memorandum dated June 29, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Joseph H. Hoyle as a clerk in that Division with basic salary at the rate of $2,394 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 it was contemplated that Mr. Hoyle would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated June 29, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Thomas Vincent Kopfman as a clerk in that Division, on a temporary basis for a period of three months, with basic salary at the rate of $1,954 per annum, effective as of the date upon which he enters upon the performance of his duties

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after having passed the usual physical examination. The memorandum also stated that it was not contemplated that Mr. Kopfman would become a member of the Federal Reserve retirement system during the period of his temporary employment.

Approved unanimously.

Memorandum dated June 29, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Margaret J. Henn as a page in that Division with basic salary at the rate of $1,756 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 Miss Henn would become a member of the Federal Reserve retirement system.

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent of the Federal Reserve Bank of Atlanta, reading as follows:

> "In accordance with the request contained in Mr. Clark's letter of June 29, 1948, the Board of Governors approves, effective July 1, 1948, the payment of salary to Mrs. Genevieve M. Barnett, Alternate Assistant Federal Reserve Agent, at the rate of $3,900 per annum."

Approved unanimously.

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

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"Reference is made to Mr. Carstarphen's letter of June 23, 1948, advising among other things that, at the meeting on June 10, 1948, the Board of Directors approved the appointment of Mr. Stanley K. Belcher as Acting Manager of the Memphis Branch.

"In accordance with the action taken by the Board of Directors, the Board of Governors approves the payment of salary to Mr. Belcher as Acting Manager of the Memphis Branch at the rate of $6,600 per annum, effective June 10, 1948, but not beyond May 31, 1949, to which date the salaries of other officers at the Bank have been approved by the Board."

Approved unanimously.

Letter to Mr. Parten, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the request contained in Mr. Gilbert's letter of June 28, 1948, the Board of Governors approves, effective July 1, 1948, the payment of salaries to the following members of the Federal Reserve Agent's staff at the rates indicated.

Name	Title	Annual Salary
	Head Office	
Edward Price	Alternate Assistant Federal Reserve Agent	$3,492
	El Paso Branch	
C. Hadley Fraser	Federal Reserve Agent's Representative	4,140
	San Antonio Branch	
G. W. Stover	Federal Reserve Agent's Representative	4,410"

Approved unanimously.

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

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"In accordance with the request contained in your letter of June 23, 1948, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of San Francisco.

Head Office	Seattle Branch
E. M. Raplee	A. B. Merritt
W. W. Hansen	J. V. White
D. C. McFarland	I. A. Strang

"Appropriate notations have been made in the Board's records of the names reported as deletions."

Approved unanimously.

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

"There are enclosed copies of letters received by the Board from The Chase National Bank and Central Hanover Bank and Trust Company, both dated June 23, 1948, raising the question whether the operation of a private wire service involves a payment of interest on deposits within the meaning of section 19 of the Federal Reserve Act and of the Board's Regulations.

"It will be appreciated if your Bank will take this matter up with the banks mentioned for the purpose of discussing the various aspects of the question. Please advise us of the results of your discussions and of any further developments in this connection.

"We have advised both The Chase National Bank and the Central Hanover Bank and Trust Company that we are referring their inquiry to you and copies of the Board's letters to those banks are enclosed for your information."

Approved unanimously.

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

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"The Board of Governors has amended its Regulation L with respect to interlocking bank directorates by adding at the end of section 3 thereof the following new paragraph:

'(f) Any director, officer, or employee of a member bank of the Federal Reserve System may be at the same time a director, officer, or employee of not more than one bank which is principally engaged in international or foreign banking and which does not receive deposits or make loans in the United States except as may be incidental to its international or foreign business.'

"This amendment, which was adopted today and is effective immediately, is similar in general effect to an exception which is already contained in the law and the regulation except that under the amendment an agreement with the Board pursuant to section 25 of the Federal Reserve Act is not required."

Approved unanimously, together with a letter to Mr. Claflin, President, French American Banking Corporation, New York, New York, for transmission through the Federal Reserve Bank of New York, reading as follows:

"In its letter of February 19, 1948, the Board postponed formal action with respect to terminating the agreement executed by your Corporation under section 25 of the Federal Reserve Act pending further consideration of the matter.

"Since no member bank of the Federal Reserve System is a stockholder in your Corporation, no legal basis exists for the continuation of the agreement by your Corporation under section 25 of the Federal Reserve Act. This is to advise you, therefore, that the Board considers as terminated and cancelled, the agreement between the French American Banking Corporation and the Board as executed on June 25, 1919, and as subsequently modified and amended."

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

"In accordance with understanding reached at recent meeting of Presidents and Board, Board has given further consideration to desirability of more rapid increase in capital accounts of Reserve Banks and has discussed reasons that have been advanced for and against an amendment to existing arrangement under which 90 per cent of net earnings are paid to Treasury. Board is of opinion that under all the circumstances, it would be preferable to continue present 90 per cent arrangement and at end of year to add such amounts as may be agreed upon to existing reserves for contingencies. For the present, the Board proposes that $10 million (prorated among Federal Reserve Banks on basis of earnings before dividends) be deducted from earnings for second quarter before application of 90 per cent of net earnings to determine amount payable to Treasury. This contemplates that approximately $30 million would be added to contingent reserves during 1948, but that the procedure would be fully discussed at next meeting of Presidents and Board."

Approved unanimously.

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

"In view of the considerations outlined in your letter of May 27, 1948, and with the understanding that the labor and material are expected to be in reasonably plentiful supply, the Board will interpose no objection to your Bank's undertaking the completion of the airconditioning of the head office building.

"It is understood that the estimated cost of the project is $275,000, excluding a few small items such as architect's fee, performance bond, etc. Recently one of the Federal Reserve Banks, which had originally intended to obtain a performance bond covering a comparatively small construction project, decided, after

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"looking into the matter further, that since a reputable contractor had been retained to do the work it would be unnecessary to obtain a performance bond."

Approved unanimously.

Letter to the Joint Property Accounting Staff, c/o Bureau of the Budget, Room 462, Old State Department Building, Washington 25, D. C., reading as follows:

"Receipt is acknowledged of your memorandum of June 18, 1948, transmitting a copy of your report entitled, 'A Federal Inventory Control System'.

"We appreciate receiving a copy of this comprehensive report. It has been reviewed by members of the Board's staff concerned with the Board's procedures in this field and the information and recommendations contained therein will be valuable in studies of the Board's procedures. However, since the Board is a relatively small agency, it is believed that its experience with these matters is not typical of Government departments and establishments generally, and since the Board's expenses are not paid from appropriated moneys, but instead are paid from funds derived from assessments levied upon the Federal Reserve Banks, it would not appear that the proposed program would be applicable to the Board.

"In the circumstances, we do not feel that we should undertake to comment upon the recommendations contained in the report."

Approved unanimously.

Letter to Mr. G. L. Bach, Commission on Organization of the Executive Branch of the Government, Room 2260, Federal Reserve Building, reading as follows:

"In accordance with your request of June 2, 1948, there is attached a memorandum of the information requested in items 1, 2 and 3 of your letter with respect

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"to members of the Board to the extent that the information is available in our records.

"Organization charts, including a brief statement of the duties of each of the divisions of the Board's organization, were handed to you a few days ago. A memorandum of the salary expense of the Board for 1947 broken down by divisions and as to salaries between professional and other personnel is attached, together with a list of interdepartmental and interagency committees on which the Board is currently represented.

"If the Board can be of further assistance in the study which you are making please do not hesitate to call on us."

Approved unanimously.

Memorandum dated July 1, 1948, from Mr. Hooff, Assistant Counsel, recommending that there be published in the law department of the Federal Reserve Bulletin the recent amendment to section 3 of Regulation L, together with an introductory statement in the form attached to the memorandum on the following subject, Interlocking Bank Directorates, Amendment to Regulation L.

Approved unanimously.

Memorandum dated June 30, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated in the memorandum, that a "code warning signal" be attached to the dictaphone equipment for recording telephone conversations located in the Secretary's Office, and

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further recommending that the expense involved in installation of the signal be charged to the appropriate account in the current year's budget.

Approved unanimously.

Secretary.

Approved:

Member.

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