Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 2, 1948.

PRESENT: Mr. Evans  
       Mr. Vardaman  
       Mr. Carpenter, Secretary  
       Mr. Sherman, Assistant Secretary  
       Mr. Morrill, Special Adviser  
       Mr. Thurston, Assistant to the Board  

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Atlanta on June 28, by the Federal Reserve Bank of San Francisco on June 29, by the Federal Reserve Bank of St. Louis on June 30, by the Federal Reserve Banks of New York, Philadelphia, and Chicago on July 1, 1948, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 30, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Mr. Samuel I. Katz be appointed as an Economist in that Division, on a temporary indefinite basis with basic salary at the rate of $4,902 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 Mr. Katz
was a member of the Civil Service retirement system and that he would remain in that System.

Approved unanimously.

Memorandum dated June 30, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Miss Janet R. Thompson be appointed as a clerk in that Division, on a temporary basis for a period not to exceed three months with basic salary at the rate of $1,822 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 because of the temporary nature of her appointment, Miss Thompson would not become a member of the Federal Reserve retirement system.

Approved unanimously.

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

"Reference is made to your letter of June 24, 1948, regarding the proposed plan of Provident Trust Company of Philadelphia, Philadelphia, Pennsylvania, to purchase the assets and assume the commercial department liabilities of Northern Trust Company, Philadelphia, Pennsylvania.

"The Board of Governors concurs in your opinion that the proposed transaction would not result in a change in the general character of business or in the scope of the corporate powers exercised by Provident Trust Company of Philadelphia within the meaning of condition of membership numbered 1
"to which it is subject and will interpose no objec-
tion to its completion substantially in accordance
with the plan as submitted.

"It is understood that the Provident Trust Com-
pany of Philadelphia will purchase only such assets
as a member bank may legally acquire; that banking
premises and equipment acquired will be carried at
not more than $100,000, which is the present book
value, and that any excess in the price paid over
the fairly appraised value of the net assets as of
June 30, 1948, will be charged off."

Approved unanimously.

Letter to "The Commercial National Bank of Hillsboro",
Hillsboro, Oregon, reading as follows:

"The Board of Governors of the Federal Reserve
System has given consideration to your application
for fiduciary powers, and grants you authority to
act, when not in contravention of State or local
law, as trustee, executor, administrator, registrar
of stocks and bonds, guardian of estates, assignee,
receiver, committee of estates of lunatics, or in
any other fiduciary capacity in which State banks,
trust companies or other corporations which come
into competition with national banks are permitted
to act under the laws of the State of Oregon, the
exercise of all such rights to be subject to the
provisions of the Federal Reserve Act and the regu-
lations of the Board of Governors of the Federal Re-
serve System.

"This letter will be your authority to exercise
the fiduciary powers granted by the Board pending the
preparation of a formal certificate covering such au-
thorization, which will be forwarded to you in due
course."

Approved unanimously, for
transmission through the Federal
Reserve Bank of San Francisco.
Letter to the Presidents of all Federal Reserve Banks

reading as follows:

"At the joint meeting of the Board and the Presidents of the Federal Reserve Banks on May 21, 1948 there was a further discussion of the statement set forth in the Board's letter of April 5, 1948, with respect to the acceptance by the Federal Reserve Banks of custody receipts for Government securities as collateral for loans to member banks.

"During the discussion there was agreement that the practice of accepting such receipts would enable the Federal Reserve Banks to be of greater service to their member banks which should be encouraged, but that the statement in the Board's letter of April 5 should provide that the Federal Reserve Banks would accept only custody receipts issued by member banks satisfactory to the accepting Federal Reserve Bank. There was also agreement that the procedure should provide that each Federal Reserve Bank would adopt its own method of advising member banks in its district which would insure the member banks' knowing that the service was available.

"In the light of these agreements the statement contained in the Board's letter of April 5, 1948 has been revised to read as follows:

'The Federal Reserve Banks in 1947, in recognition of the existing practice of member banks of having securities held where they can be sold quickly, particularly in the New York market, without incurring substantial shipping charges, adopted a procedure under which the Federal Reserve Bank of New York agreed to accept the deposit of Government securities, in limited amounts, belonging to a member bank in another Federal Reserve district in order that such securities might be used as collateral for a loan to such member bank by the Federal Reserve Bank of its district. This procedure requires the physical deposit of the securities with the Federal Reserve Bank of New York.
and their redelivery to the New York correspondent bank when the need for borrowing by the member bank has passed.

'With a view to further improvement in the services of the Reserve Banks to their member banks and in order that their credit facilities may operate as conveniently and expeditiously as possible, any Federal Reserve Bank will also accept as collateral security for a loan to a member bank custody receipts covering Government securities, when the receipts are in a form satisfactory to the Reserve Bank and are issued by a member bank which is satisfactory to the Federal Reserve Bank and which in the usual course of business performs correspondent bank services, including the holding in custody of Government securities, for the borrowing member bank. Each Federal Reserve Bank will adopt its own method of advising member banks in its district which will insure the banks' knowing that the service is available."

Approved unanimously.

Letter to Mr. Elmer B. Staats, Assistant Director, Legislative Reference, Bureau of the Budget, Washington, D. C., reading as follows:

"This refers to your letter of June 24, 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 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.

Memorandum dated July 1, 1948, from Mr. Vest, General Counsel, transmitting a travel request for Mr. Townsend stating that a per diem in lieu of subsistence at the rate of $12 would be granted Mr. Townsend, Associate General Counsel, in connection with his forthcoming trip to the West Coast for the purpose of interviewing bankers with respect to the Transamerica matter.
7/2/48

Approved unanimously.

Approved:

[Signature]

Member.

[Signature]

Secretary.