

Minutes of actions of the Board of Governors of the Federal Reserve System on Thursday, July 15, 1948. The Board met in the Board Room at 11:00 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Smead, Director of the Division of Bank Operations
Mr. Thomas, Director of the Division of Research and Statistics
Mr. Leonard, Director of the Division of Examinations
Mr. Nelson, Director of the Division of Personnel Administration
Mr. Millard, Assistant Director of the Division of Examinations

In connection with an informal discussion of salaries proposed by the directors for the officers of the Federal Reserve Bank of New York, there was a discussion of a suggestion by Messrs. Szymczak and Vardaman that some procedure be worked out under which salaries of officers of Reserve Banks could be fixed pursuant to general limitations which would not require the Board to pass on individual increases for the junior officers. No conclusions were reached, and it was understood that if a change were to be made in the present procedure, the matter would be considered again at a meeting at which all members of the Board were present.

7/15/48

-2-

Chairman McCabe stated that, in accordance with the discussion at the meeting on July 6, 1948, he had talked with Mr. Harold Amberg, Vice President and General Counsel of the First National Bank of Chicago, concerning the possibility of having a meeting of representatives of groups interested in holding company legislation, that Mr. Amberg had suggested it would be desirable to have a meeting first with only the representatives of holding companies so that they would feel more free frankly to express their opinions than would be the case if representatives of all of the groups met together, and that after talking with Mr. Brown, President of the Federal Advisory Council, Mr. Amberg reiterated this suggestion. Chairman McCabe went on to say that he had tentatively arranged for a luncheon with representatives of several of the holding company groups on September 9, 1948, and that with the approval of the Board he contemplated arranging for subsequent luncheons with the other groups referred to at the meeting of the Board on July 6, 1948.

Upon motion by Mr. Evans, Chairman McCabe was authorized unanimously to proceed in the manner he had outlined.

Mr. Evans referred to a memorandum prepared under date of July 1, 1948, by Mr. Dembitz, Acting Chief of the International Section of the Division of Research and Statistics, in accordance

7/15/48

-3-

with the action at the meeting on March 5, 1948, reporting on National Advisory Council developments. Mr. Evans suggested that, in addition to the written reports, contemplated by the action on March 5, it would be desirable to arrange for periodic oral reports to the Board by members of the International Section of the Division of Research and Statistics.

Mr. Evans' suggestion was approved by unanimous vote.

At this point Messrs. Riefler, Smead, Thomas, Leonard, Nelson, and Millard withdrew and the action stated with respect to each of the matters hereinafter set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 13, 1948, were approved unanimously.

Letter prepared for Mr. McCabe's signature to Mr. Frank A. Southard, Jr., Director, Office of International Finance, Treasury Department, reading as follows:

"This is in response to your letter of July 9, 1948, concerning the participation of the Federal Reserve System in the Brazilian Mission.

"The Board is of the opinion that Mr. O. Ernest Moore, Manager of the Research Department of the Federal Reserve Bank of New York, would make an excellent member of the Mission and we appreciate your courtesy in consulting with us regarding his selection.

"We agree that Mr. Grove is the logical candidate from the Board for the technical staff of the Mission,

7/15/48

-4-

"but it is quite possible that his services may not be available. We are extremely anxious, however, to discuss with you a possible substitute for Mr. Grove in case he is not available."

Approved unanimously.

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

"In accordance with the request contained in your letter of July 8, 1948, the Board approves the appointment of William Theodore Eddins as an assistant examiner for the Federal Reserve Bank of Atlanta. If the appointment is not made effective August 1, 1948, as planned, please advise us."

Approved unanimously.

Letter dated July 14, 1948, to Mr. Carstarphen, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the payment of salary to Paul E. Schroeder as Vice President assigned as Manager of the Memphis Branch at the rate of \$8,500 per annum for the period from July 16, 1948 to May 31, 1949, inclusive."

Approved unanimously.

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

"In accordance with the request contained in your letter of July 9, 1948, the Board approves the designations of John C. Blake and Charles L. Childers as special assistant examiners for the Federal Reserve Bank of Dallas."

Approved unanimously.

7/15/48

-5-

Letter to Mr. W. F. Lawson, Chairman, Committee on Delayed Return of Unpaid Items, Bank Management Commission of A.B.A., First National Bank of Boston, Boston 6, Massachusetts, reading as follows:

"Under date of May 19, 1948, Mr. H. E. Randall, Vice President of the First National Bank of Boston, addressed a letter to the Board referring to a letter of April 12, 1948, sent to you by Mr. Hugh Leach, Chairman, Committee on Operations, Conference of Presidents, regarding the delayed return of unpaid items. With Mr. Randall's letter was enclosed a copy of a letter, including a form of suggested check collection legend, which the American Bankers Association expected to send to all banks, and it is understood that the letter including the suggested legend was sent under date of May 21, 1948, to member banks of the ABA.

"As you know, the Board of Governors published in the Federal Register on April 16, 1948, a notice of its proposal to adopt certain amendments to Regulation J to give effect to the procedure recommended by the American Bankers Association for the conditional payment of cash items presented by Federal Reserve Banks with the right of drawee banks to return unpaid items and reclaim payment therefor on the next succeeding business day after their receipt. Pursuant to this publication in the Federal Register, the Board received certain suggestions with regard to the proposed amendments to Regulation J and it has given consideration to all of these suggestions. The Board is now prepared to adopt amendments to Regulation J in the form enclosed with this letter. These amendments are in the same form as that in which they were published in the Federal Register except for a minor change in the text and certain changes in footnote (3), these changes having been adopted in the light of certain suggestions made to the Board by the Secretary of the Bank Management Commission of the ABA.

"As indicated in Mr. Leach's letter of April 12, 1948, it was understood that the amendments to Regulation J would not be made effective until the two con-

7/15/48

-6-

Conditions set forth in his letter had been fulfilled. One of these conditions, relating to the distribution of the form of suggested contract with depositors, was fulfilled by the letter sent by the ABA to its membership under date of May 21, 1948. The other condition was that the ABA would draft a model statute which is adequate and satisfactory to give drawee banks the right to make conditional payment of checks presented by Federal Reserve Banks subject to the right to return and reclaim payment for unpaid items on the next succeeding business day after their receipt by the drawee banks, the adoption of such a statute by the legislatures in all States to be strongly encouraged by the American Bankers Association as indicated in your letter of January 5, 1948, to Mr. Leach. Your letter also advised that Federal Reserve Counsel would have an opportunity to make suggestions in connection with the preparation of such model statute.

"It will be appreciated if you will furnish the Board with the text of the form of model statute drafted by the ABA when it has been completed, and will indicate as definitely as possible what is contemplated as the program of the ABA for the encouragement of such legislation in all States. Upon receipt of this information indicating compliance with this other condition the Board will be prepared to act promptly to adopt the amendments to Regulation J and to publish them in the Federal Register not less than thirty days in advance of the date on which they will be made effective."

Approved unanimously.

Letter dated July 14, 1948, to the Presidents of all Federal Reserve Banks reading as follows:

"In the Board's letter of January 15, 1946 (S-892, F.R.L.S. #5507), you were requested to advise the Board at least semiannually of any cases coming to your attention of inadequate financing facilities for small business enterprises. These reports may be discontinued. However, should any information of this kind come to your attention which you think would be of

7/15/48

-7-

"interest to the Board, it will be appreciated if it is included in the quarterly reports of current trends (F.R.L.S. #3949)."

Approved unanimously.

Harper
Secretary.

Approved:

Thomas B. Lee, Case
Chairman.