

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 9, 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 December 8, 1948, were approved unanimously.

Memorandum dated December 8, 1948, from Mr. Vest, General Counsel, and Mr. Townsend, Solicitor, recommending that Mrs. Frances C. Colvin, Secretary to Mr. Townsend, be transferred from the Legal Division to the Office of the Solicitor as Secretary to the Solicitor, with no change in her present basic salary, effective immediately.

Approved unanimously.

Memorandum dated December 7, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the basic salary of Miss Ruby S. Andrews, a clerk in that Division, be increased from \$2,949.72 to \$3,024.96 per annum, effective December 12, 1948.

Approved unanimously.

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Memorandum dated December 7, 1948, from Mr. Smead, Director of the Division of Bank Operations, recommending that the temporary appointment of Miss Doris McTeer, a clerk-typist in that Division, be extended for a period of six months beginning December 29, 1948, with no change in her present basic salary of \$2,284 per annum.

Approved unanimously.

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

"In accordance with the request contained in your letter of December 3, 1948, the Board approves the payment of salaries to Mr. L. E. Donaldson as Vice President of the Bank at the rate of \$11,000 per annum and to Mr. J. V. Vergari as Counsel and Assistant Secretary at the rate of \$10,000 per annum for the period January 1, 1949 through April 30, 1949."

Approved unanimously.

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

"In accordance with the request contained in your letter of December 3, 1948, the Board approves the appointment of Franklin Neff as an examiner for the Federal Reserve Bank of San Francisco. Please advise us of the date upon which the appointment becomes effective.

"It is noted that Mr. Neff's obligation of approximately \$300 to Bank of America NT&SA will be transferred to a non-bank holder."

Approved unanimously.

An application had been received under date of October 27, 1948, from "The Chase National Bank of the City of New York", New

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York, New York, requesting approval of the Board to establish and maintain a branch of the bank in Osaka, Japan, and a letter had been received under date of October 29, 1948, from Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, recommending that the application be approved. The Board had also been advised by the Office of the Comptroller of the Currency on November 5, 1948, and by the Department of the Army on November 22, 1948, that those departments had no objection to the establishment of the proposed branch. In this connection there was submitted a draft of letter to "The Chase National Bank of the City of New York" reading as follows:

"The Board of Governors of the Federal Reserve System authorizes The Chase National Bank of the City of New York, pursuant to the provisions of section 25 of the Federal Reserve Act, to establish a branch at Osaka, Japan, and to operate and maintain such branch subject to the provisions of such section; upon condition that unless the branch is actually established and opened for business on or before December 1, 1949, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

Approved unanimously, together
with a letter to Mr. Wiltse, Vice
President of the Federal Reserve
Bank of New York, reading as follows:

"Enclosed is a letter of the Board of Governors authorizing The Chase National Bank of the City of New York, New York, to establish a branch at Osaka, Japan, which you will please deliver to the bank. A copy of this letter is enclosed for your files.

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"Please ask the bank to note that the authority to establish the branch will automatically terminate on December 1, 1949, if the branch is not actually established and opened for business on or before that date, and request the bank to advise the Board in writing through the Federal Reserve Bank of New York when the branch is so established and opened for business."

Letter to Mr. Rollin H. Stewart, Stewart Motor Sales, Inc.,
3205-11 East Washington Street, Indianapolis 1, Indiana, reading
as follows:

"Thank you for your letter of November 18, addressed to Governor Eccles, about the prospects for withdrawal of Regulation W next March. You comment that you favor the regulation of instalment credit for used cars and would favor it also for new cars if maturities as long as 24 months were permitted, instead of the present limit of 18 months which you state is severely restricting your new car sales, particularly to wage earners.

"With regard to the termination of Regulation W, the statute which authorized the reinstatement of the regulation (Public Law 905, approved August 16, 1948) provided for its continuation through June 30, 1949. We do not know of any significance to be attached to next March in connection with expiration of the regulation. The Board believes that continuation of consumer credit regulation would be in the public interest, as a means of helping to prevent economic instability. In carrying out this purpose in a continuing regulation, changes in down payment or maturity provisions would depend on economic or credit conditions.

"We appreciate your sending us the information on current conditions in your business and your views on credit terms, and you may be certain that these will be considered in our continuing study of the provisions of the regulation."

Approved unanimously.

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Letter to Mr. Millard, Director, Division of Examinations,
Board of Governors of the Federal Reserve System, reading as follows:

"Paragraph 7 of Section 5240 of the Revised Statutes of the United States (Section 21 of the Federal Reserve Act), as amended, provides that the Board of Governors of the Federal Reserve System, at least once each year, shall order an examination of each Federal Reserve Bank.

"In accordance with this provision of the law, the Board orders that at least one examination of each of the 12 Federal Reserve Banks be made during the year 1949, and the Board authorizes and directs you to institute and conduct such examinations at such time or times as may seem advisable in your judgment."

Approved unanimously.

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

"At the joint meeting of the Board and the Presidents on October 5, 1948, there was a discussion of the Board's proposal that member banks having a daily average of more than 300 cash items payable in the territory of another Federal Reserve Bank or Branch be required to route such items direct or sort and list them separately. At that meeting the Board indicated that it would like to have an opportunity to consider further the recommendation of the Committee on Operations, which had been approved by the Conference of Presidents, that the proposal be not effectuated.

"Since the Board's suggestion has been under consideration considerable progress has been made in reducing the number of member banks which were not sending their interdistrict items direct, but, based on the most recent survey, there were still 38 such banks. The Board has again reviewed this subject and would like to have another survey similar to the one made covering the week of June 21, 1948.

"It will, therefore, be appreciated if you will submit a report covering the week January 24 - 29, 1949, as to member banks which are depositing with your Head Office

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"and branches (if any) a daily average of more than 300 items payable in the territory of another Federal Reserve Bank or Branch, such reports to include an analysis showing the number of such items that are drawn on banks located in Federal Reserve Bank or Branch cities and the number of such country items that are payable in 'split states'.

"It will also be appreciated if you will accompany your reports with complete information relating to those cases, if any, which you do not have reason to believe will be cleared up by the end of 1949, including the reasons therefor and the views of your Bank in regard thereto. It is the thought of the Board that this problem should be disposed of by that time."

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your letter of October 28, 1948, in which you advised that it appears the actual expenses for 1948 at your head office and branches will exceed budget estimates for the year as follows:

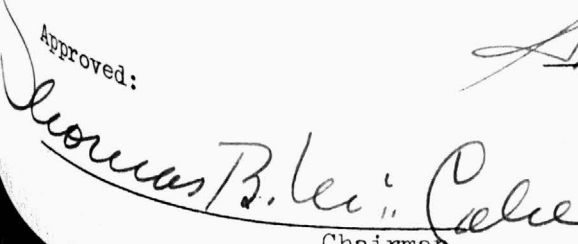
<u>Function</u>	<u>Head Office</u>	<u>Baltimore Branch</u>	<u>Charlotte Branch</u>
General Overhead			\$2,200
Furniture and Equipment			1,200
Provision of Personnel	\$12,000	\$5,500	
Consumer Credit	16,500	3,750	3,850
Currency and Coin	30,000		12,000
Check Collection	12,000		5,100
Noncash Collection		1,200	
Accounting		4,000	
Fiscal Agency	17,500		

"It would seem from the statements made in your letter that these increased expenditures are necessary and appropriate notations to this effect are being made in the Board's records."

Approved unanimously.


Secretary.

Approved:


Chairman