

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 16, 1948.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Draper
Mr. Evans
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 15, 1948, were approved unanimously.

Memorandum dated December 13, 1948, from Mr. Thomas, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective December 26, 1948:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Philip T. Allen	Economist	\$4,981.20	\$5,232.00
Saul B. Klaman	Economist	4,228.80	4,479.60

Approved unanimously.

Memorandum dated December 6, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of Joseph E. Kelleher, Assistant to the Director in that Division, from \$6,235.20 to \$6,474.60 per annum, effective December 26, 1948.

Approved unanimously.

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Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board approves the following minimum and maximum salaries effective January 1, 1949, for the respective grades at the Federal Reserve Bank of Kansas City as tentatively submitted with your letter of November 27, 1948 and approved by the Board of Directors on December 16, 1948:

<u>Grade</u>	<u>Minimum Salary</u>	<u>Maximum Salary</u>
1	\$1320	\$1740
2	1440	1980
3	1620	2220
4	1800	2460
5	2040	2760
6	2280	3120
7	2580	3480
8	2880	3900
9	3180	4300
10	3600	4900
11	4000	5400
12	4500	6000
13	5000	6800
14	5600	7600
15	6300	8500
16	7000	9500

"The Board approves the payment of salaries to employees, other than officers, within the limits specified for the grades in which the positions of the respective employees are classified. It is understood that all employees who will be receiving salaries below the minimum of their respective grades as a result of the change in the salary scale will be brought within the appropriate range."

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of December 9, 1948, submitting the request of the Montclair Trust Company, Montclair, New Jersey, for approval of an additional investment of \$224,000 in bank premises, to

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"cover proposed modernization and improvement of the main office building and branches.

"It is noted approval of the appropriate State authorities has been obtained.

"In view of your recommendation the Board of Governors approves an increase in the bank's investment in bank premises by not more than \$224,000."

Approved unanimously.

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

"Enclosed is a letter to Bank of America National Trust and Savings Association extending to January 1, 1950, the time within which the bank may establish and open for business a branch at Shanghai, China, which you will please deliver to the bank. There is enclosed also a copy of the letter for your files."

Approved unanimously.

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

"This is to acknowledge your letter of December 9, 1948, advising that, in your opinion, the proposed location of the branch that Peoples Bank, Lakewood Village, California, wishes to establish at Village Road and Viking Way, is in the same unincorporated community as the head office of the bank.

"The Board has no reason to differ with your conclusion and it will be appreciated if you will advise Mr. L. H. Brewer, President of the Peoples Bank, that since it appears that the location of the proposed branch is, in fact, in the same unincorporated town or village as the head office of the bank, it is the Board's opinion that the law permits the establishment of the branch without approval by the Board. Please furnish a copy of your advice to Mr. Brewer for the Board's files."

Approved unanimously.

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Letter to Mr. Falkner C. Broach, Vice President, National Bank of Tulsa, Tulsa, Oklahoma, reading as follows:

"This refers to your letter of November 26, 1948, asking when the franchise tax is paid the Treasury by the Federal Reserve Banks and whether we can give you some idea of what it will amount to this year in comparison with last year. It is assumed that you refer to the amounts being paid the Treasury as interest on outstanding Federal Reserve notes not covered by gold certificates pledged with the Federal Reserve Agents as collateral for such notes.

"Payments to the Treasury by the Federal Reserve Banks for the year 1947 as interest on Federal Reserve notes amounted to \$75,224,000, as shown in Table 6, page 71, of the Board's 1947 Annual Report. Payments during 1948 have been made at quarterly intervals, and the aggregate for the year, which has not yet been determined, will be larger than for 1947. A statement of current earnings and current expenses of the Federal Reserve Banks for the first half of the year 1948 is contained in the August issue of the Federal Reserve Bulletin on page 1022. A complete operating statement for the year 1948, showing the payments to the Treasury, will be published in the February issue of the Federal Reserve Bulletin.

"We appreciate the opportunity of writing you about these payments and hope that you will find such of the above information that you do not already have of some help."

Approved unanimously.

Letter to Mr. Frank Pace, Jr., Assistant Director, Bureau of the Budget, prepared in accordance with the action at the meeting of the Board on December 7, 1948, and reading as follows:

"You will recall that, at a meeting held in your office on July 22, 1948, to discuss certain aspects of the proposed amendments to H. R. 2799, you asked that the Board of Governors prepare a statement indicating generally the conditions it would like to see met in any legislation authorizing the Federal Home

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"Loan Banks and the Federal Savings and Loan Insurance Corporation to borrow from the Treasury.

"The enclosed memorandum, together with the draft of a proposal to amend the Federal Home Loan Bank Act, has been prepared by the Board's staff in response to that request, and the Board has asked me to transmit the draft to you and to make it available to such other interested agencies as you may suggest. In the preparation of the draft the Board's staff has consulted extensively with the staffs of the Treasury and the Federal Deposit Insurance Corporation, and the draft has benefited from their suggestions. We have advised the staff of the Bureau of the Budget from time to time of the progress of the work. We cannot, of course, speak for other agencies or their staffs, but the Board's staff has received the impression that the Treasury probably will have no objection to the draft and that the Comptroller of the Currency will adhere to the Treasury's general position. The staff of the Federal Deposit Insurance Corporation, on the other hand, appears to believe that the Federally-provided liquidity in the building and loan association field is already ample and should if anything be reduced.

"While the Board would not propose that the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation be authorized to borrow from the Treasury, it believes that if such authorization is to be part of the President's legislative program at the coming session of Congress, provisions to accomplish the objectives outlined in the attached memorandum should be included.

"The draft is not regarded by the Board or its staff as perfected. Before the draft can be considered a definite proposal for legislation, many specific provisions will probably require some revision in the light of information which is not now available to the Board and after consultation with other agencies to insure the workability of the legislation. While the Board approves the general legislative objectives stated in the memorandum, if there should be changes in the essential features of the draft, or if there should be changes in the general circumstances involved, the Board would wish to review the situation again in the light of such changes."

Approved unanimously.

Letter to Mr. Black, Cashier of the Federal Reserve Bank of Chicago, reading as follows:

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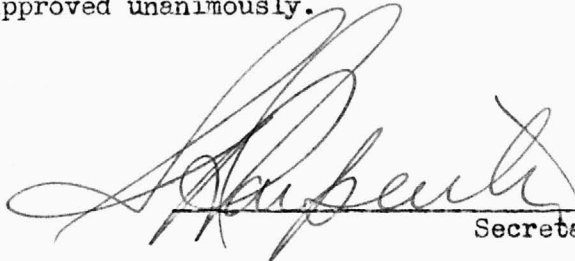
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"Reference is made to your letters of October 27 and November 12, 1948, in which you advised that it appears expenses for 1948 at your head office and Detroit Branch will exceed budget estimates for the year as follows:

<u>Function</u>	<u>Head Office</u>	<u>Detroit Branch</u>
General Overhead	\$ 83,000	
Provision of Space	207,000	\$17,000
General Service	58,000	
Postage and Expressage	61,800	9,000
Stock of Supplies		17,000
Consumer Credit		8,800
Securities	1,500	
Check Collection	270,000	
Accounting	7,500	
Bank and Public Relations		2,000
Federal Reserve Note Issues		2,800

"The Board accepts the revised figures as submitted, and appropriate notations are being made on the Board's records."

Approved unanimously.


Secretary.

Approved:


Chairman.