Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, March 9, 1949.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Draper
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 March 8, 1949, were approved unanimously.

Memorandum dated March 7, 1949, from Mr. Millard, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, Walter S. Hall be appointed as an Assistant Federal Reserve Examiner, with basic salary at the rate of $3,351 per annum, and with official headquarters at Washington, D. C.

By unanimous vote, Mr. Walter S. Hall was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., and with basic salary at the rate of $3,351 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.
Memorandum dated March 2, 1949, from Mr. Bethea, Director of the Division of Administrative Services, stating that James E. Tanner, a telegraph operator in that Division, has filed an application for retirement, to be effective April 1, 1949. Mr. Tanner, who is 60 years of age and has had 30 years of Government service, is retiring under the optional retirement plan of the Rules and Regulations of the Retirement System.

Noted.

Letter to the Federal Deposit Insurance Corporation, Washington, D.C., reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the City Bank, Detroit, Michigan, became a member of the Federal Reserve System on March 1, 1949, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

Letter to Mr. McCreedy, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:
"This refers to your letter of February 24 regarding the penalties of $76.71 and $69.18 incurred by the Conestoga National Bank, Lancaster, Pennsylvania, as a result of deficiencies in reserves for the periods ended January 31 and February 15, 1949. It is noted that the deficiencies are less than two per cent of requirements and that your Bank may waive the first penalty under the provisions of paragraph D of the rules (S-902, F.R.L.S. #6120). In the circumstances set forth in your letter, the Board authorizes your Bank not to make the assessment of $69.18 for the second penalty incurred during the period ended February 15."

Approved unanimously.

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

"Associated Press story carried in some papers March 7 and 8 and referring to discussions with Federal Reserve Board officials indicated that recent Amendment No. 3 contained a new provision about extending existing contracts subject to Regulation W. Such an interpretation is incorrect and the Amendment, of course, in no way modified the provisions of Section 5 regarding renewals, revisions and additions. Basis for story was a response to specific questions as to meaning of Section 5.

"Story gave unfortunate emphasis to subject of renewals and revisions. In replies to inquiries regarding the story we have stated that the Regulation does provide for them but that renewals or extensions, if made pursuant to arrangements prior to or in connection with original credit, would violate the Regulation."

Approved unanimously.

Letter to Mr. Olson, Vice President of the Federal Reserve Bank of Chicago, reading as follows:
"This will acknowledge receipt of your letter of February 24 enclosing photostatic copies of a letter addressed to you from the National Discount Corporation and of a typewritten sales bulletin reported to have been issued by Willys-Overland Motors, Inc. The bulletin contains a footnote that jeep station wagon purchasers who can qualify for commercial license plates are exempt from all provisions of Regulation W.

"As you know, the Cleveland Reserve Bank has sent us a copy of a bulletin which does not contain the statement and a representative of the company's legal counsel has stated that the bulletin we have is the only one referring to Regulation W issued by the company. Since the Willys-Overland Company will have to issue another bulletin because of Amendment No. 3, we are making no further inquiry at this time. The Company knows, as a result of the Cleveland Bank inquiry, that such a statement would be erroneous."

Approved unanimously.

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

"Reurtel March 5 Board has no objection to Kelley Blue Book plan to issue May-June edition effective April 1, on the understanding that book will contain price adjustments for the purpose of more accurately reflecting the actual retail market values currently prevailing. Also, the Board has no objection to previous post card notification to subscribers of the April 1 effective date providing the notification does not refer to any percentage reduction and does not contain any other suggestion that any books have one price for purposes of Regulation W and another price for other purposes."

Approved unanimously.

Letter to Mr. Staats, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letter of February 28,
"1949, to Chairman McCabe, requesting our views with respect to a draft of bill submitted by the Department of Agriculture which would amend the Federal Farm Loan Act in several respects.

"The proposed legislation would (1) authorize the organization of national farm loan associations in Puerto Rico and Alaska and, in general, bring the statutory provisions governing Federal land bank operations in Puerto Rico and Alaska more nearly into conformity with those governing their operations elsewhere; (2) repeal the $50,000 limitation on Federal land bank loans to any one borrower, but continue the requirements that any loan above $25,000 must be approved by the Land Bank Commissioner and that preference shall be given to applications for loans of $10,000 and under; (3) repeal provisions authorizing the Secretary of the Treasury to subscribe to paid-in surplus of the Federal land banks in connection with deferment or extension of principal payments on Federal land bank loans, and provide that funds totaling $189,000,000 which were appropriated for this purpose, and which have been repaid and now constitute a revolving fund in the Treasury available for future subscriptions, shall be carried to the surplus fund of the Treasury; and (4) make certain amendments designed to improve and simplify internal operations of the Federal land banks.

"The proposed legislation does not appear to affect significantly the monetary and credit functions or other activities with which the Federal Reserve System is directly concerned; and, therefore, the Board has no comments to offer with respect to this proposal. We appreciate, however, the opportunity which you have afforded us to consider the matter."

Approved unanimously.

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

"This refers to Mr. Wiltse's letter of January 18, 1949 transmitting an application from The Chase Bank for an extension of the period of its corporate existence from May 6, 1950."
"Enclosed herewith is an original and a copy of a certificate extending the corporate existence of The Chase Bank and it will be appreciated if you will deliver the original thereof to The Chase Bank."

Approved unanimously, together with the following certificate:

"I, S. R. Carpenter, Secretary of the Board of Governors of the Federal Reserve System, do hereby certify that the Board of Governors of the Federal Reserve System, pursuant to the authority vested in it by the terms of section 25(a) of the Federal Reserve Act as amended has, on the 9th day of March, 1949, approved an application of THE CHASE BANK for an extension of the period of the corporate existence of THE CHASE BANK for a term of twenty years from May 6, 1950 unless sooner dissolved by the act of the shareholders owning two-thirds of its stock or by an Act of Congress or unless its franchise becomes forfeited by some violation of law.

"IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the Board of Governors of the Federal Reserve System to be affixed at the City of Washington, in the District of Columbia, on this 9th day of March, 1949.

(Signed) S. R. Carpenter
Secretary of the Board of Governors of the Federal Reserve System."

Telegram to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Relet March 3. In response to an inquiry from another Federal Reserve Bank, Board recently stated that it would have no objection to payment of the cost of a savings bond dinner in each city in district in which head office or branch of Federal Reserve Bank was located in order to avoid travel to one big dinner in head office city."

Approved unanimously.
Letter to Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"This will acknowledge and thank you for your letter of February 18, informing the Board that your Bank has agreed to furnish the New York Quarter-master Purchasing Office, on a confidential basis, certain credit information on various concerns bidding on supply contracts in connection with the procurement Program of the Department of the Army."

Approved unanimously.

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

"Reference is made to your letter of February 17, 1949 in which you advise that in several functions 1948 expenses at your head office and branches exceeded revised budget estimates for the year. It is noted that the excess expenses over revised budget estimates are small except in certain functions such as Federal Reserve note issues which are generally regarded as noncontrollable."

Approved unanimously.

Approved:

[Signature]
Chairman.

[Signature]
Secretary.