

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 11, 1949. The Board met in the Board Room at 11:35 a.m.

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
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Director of the Division of Research and Statistics
 Mr. Vest, General Counsel
 Mr. Young, Associate Director of the Division of Research and Statistics
 Mr. Baumann, Assistant General Counsel

There were presented telegrams to the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Boston on March 7, by the Federal Reserve Bank of San Francisco on March 8, and by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on March 10, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Reference was made to a draft of letter to the Bureau of the Budget transmitting a proposed reply to a request from Senator Maybank, Chairman of the Senate Banking and Currency Committee, for a report on

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bill S. 80, to increase from \$5,000 to \$15,000 the insurance protection of depositors in Federally insured banks. Mr. Clayton stated that he had approved the draft of reply but that, for reasons which he outlined, he now felt it would be a mistake to take the position stated in the letter that, since the Federal Deposit Insurance Corporation was opposed to the legislation, which was of primary concern to that Corporation, the Board did not feel justified in differing with the conclusion reached by the Federal Deposit Insurance Corporation.

Mr. Eccles stated that the question involved was much broader than the extent of deposit insurance coverage and included assessments against insured banks and the basis of such assessments, that with the growth in deposits in recent years the income of the Federal Deposit Insurance Corporation had increased at a more rapid rate than the deposit liability which was limited to a maximum of \$5,000 on any individual account, and that he felt the request from Chairman Maybank for a report on the proposed legislation gave the Board an excellent opportunity to express a considered opinion with respect to the whole matter.

In the following discussion, Chairman McCabe suggested that before replying to Chairman Maybank's request, Chairman Harl of the Federal Deposit Insurance Corporation be invited to have luncheon with the Board at which time the matter could be fully discussed. It was also suggested that the Division of Research and Statistics be requested to make a study of the effect that a change in the method of assessment

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would have on various groups of banks, particularly of the effect of a procedure which would base assessments only on deposits not offset by assets in the form of cash and Government and Government guaranteed securities.

These suggestions were approved unanimously.

Chairman McCabe stated that he had received a letter from Representative Patman dated March 9, 1949, requesting immediate consideration by the Board of a reduction in margin requirements under Regulations T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange, and he read a draft of reply to the letter. The draft was discussed and it was understood that it would be revised and resubmitted to the Board.

Mr. Clayton referred to the letter sent to Chairman Somers of the House Committee on Public Lands under date of March 4, 1949, with respect to the Hawaiian statehood bill, stating that the Committee reported the bill without the requirement proposed by the Board that, if Hawaii became a State, national banks located therein be placed on the same basis with respect to membership in the Federal Reserve System as that applied to national banks in other States. He also said that the bill had been passed by the House but that it had not yet been considered by the Senate.

Chairman McCabe referred to the letters sent to the Comptroller

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of the Currency and Chairman of the Federal Deposit Insurance Corporation on March 2, 1949, asking for their views on the revised bank holding company bill discussed at the meeting of the Board on February 24, 1949. He suggested that they be advised that the Board hoped to submit the bill early in April and would like to have their comments not later than March 23, 1949.

This suggestion was approved unanimously.

At this point Messrs. Riefler, Thomas, Vest, Young, and Baumann withdrew and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 10, 1949, were approved unanimously.

Telegrams to Presidents of all Federal Reserve Banks, reading as follows:

"Board contemplates making a spring call for condition reports on State member banks. You may so advise any State Banking Departments for their confidential information. Understand Comptroller's Office will advise State Banking Departments of selected call date in usual manner before call is announced.

"Hereafter, code word Ipjob will be used in transmitting foregoing advice regarding spring or fall calls contemplated. Code word Ipjig will be used to transmit advice as contained in Board's telegram of September 9, 1948, that spring or fall calls are not contemplated."

Approved unanimously.

Memorandum from Mr. Carpenter, Secretary of the Board of Governors of the Federal Reserve System, reading as follows:

"When the Board, by its action on December 20, 1948, authorized special travel provisions for representatives

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"participating in the proceeding against Transamerica Corporation on the West Coast, it provided that if the wife of a Board participant accompanied or joined him during such travel there should be allowed, in addition to his travel expenses, the costs of one round-trip railroad fare (including any Pullman accommodations that could be purchased with one fare), or plane fare to the principal locations of the hearings and return to Washington plus actual expenses of the wife for meals during such travel, provided that no such additional allowances would be claimed where travel was by automobile. The authorization did not provide for reimbursement of any of the wife's expenses if she traveled by automobile and her husband traveled by train or plane. In order that the same reimbursement may be provided in the event the wife of the Board's representative travels by automobile and the husband travels by train or plane, the Board may wish to authorize reimbursement for the wife for automobile travel in an amount not to exceed the cost of train fare plus any Pullman accommodation that could be purchased with a single fare."

Approved unanimously.

Memorandum dated February 24, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the temporary appointment of Mrs. Anne Campbell Sencindiver, a draftsman in that Division, be extended for an additional period of not to exceed three months from March 12, 1949, with no change in her present salary at the rate of \$3,727.20 per annum.

Approved unanimously.

Memorandum 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, to be effective March 20, 1949:

<u>Date of Memo</u>	<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
			<u>From</u>	<u>To</u>
March 9, 1949	Robert Solomon	Economist	\$3,727.20	\$4,479.60
March 9, 1949	Charles E. Fox, Jr.	Economist	3,225.60	3,727.20
March 10, 1949	Ernest C. Olson	Economist	5,106.60	5,232.00

Approved unanimously.

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

"The Board of Governors approves the appointment of Mr. Charles W. Williams as Vice President in charge of the Research Department of the Federal Reserve Bank of Richmond and the payment of salary to him for the period June 16, 1949, through May 31, 1950, at the rate of \$12,000 per annum, which is the rate fixed by the Board of Directors as reported in your letter of March 10, 1949."

Approved unanimously.

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

"It has been apparent that the daily estimates of excess reserves of reserve city banks which are made here for use in the press statement showing the condition of Federal Reserve Banks, and in the confidential daily summary report, have not been entirely satisfactory. The problem of making these estimates has been discussed from time to time with representatives of the Federal Reserve Banks and at the meeting of the Committee on Current Reporting Series held in Chicago on October 21-22, 1948. The conclusion has been reached that daily estimates of required reserves from about 18 of the Reserve Bank and Branch cities would not involve a great amount of additional work on the part of the Reserve Banks and Branches, and would greatly improve the total estimate. These estimates have been received for some time covering central reserve city banks in New York and Chicago and reserve city banks in Boston; they are based on figures reported by telephone by the larger banks and have been very satisfactory.

"Accordingly, it would be appreciated if you would have an estimate of the daily required reserves, in thousands of dollars, for the reserve city banks in the city of Philadelphia forwarded each day, beginning with the second Thursday following the date of this letter, or as soon as practicable thereafter. Code word CELL will be used, meaning required reserves of Reserve City banks in city designated; if desired, it may be included with the same telegram forwarding items CAFE and CARD, reserve balances of reserve city and country banks, respectively."

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Approved unanimously, together with similar letters to the Presidents of the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco.

Telegram to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"In the circumstances explained in Mr. Purrington's telegram of March 7 and in telephone conversations with him, and in view of your recommendation, Board authorizes your Bank not to assess penalty incurred by Lake City Bank, Warsaw, Indiana, for deficient reserves during period ended February 15, 1949."

Approved unanimously.

Letter to Mr. Smith, Assistant Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"Your letter of January 4, 1949, together with its enclosures, raised a question regarding the application of Regulation W to a revised schedule of instalment payments proposed by the City Loan and Savings Company, Lima, Ohio. Our delay in replying to the above correspondence was explained in our letter of January 24, 1949, and was further occasioned by our study of the replies of the Federal Reserve Banks to Mr. Leonard's telegram of February 7, 1949.

"The inquiry presented was whether a chart or schedule of instalment payments for the full, permissible maturity of instalment contracts complies with section 3(b)(1) or 4(c)(1) of Regulation W, where the final instalment is larger than the preceding instalments because of the rounding off of the preceding instalments to even multiples of 50 cents or \$1.

"Except as otherwise permitted by section 6(a), the regulation forbids an instalment payment, including a final instalment payment, which is in an amount 'substantially greater' than the amount of any preceding instalment. In the Board's view, a final or other instalment which, as a result of rounding off preceding instalments in amounts less than \$1, is not more than 50 per cent greater in amount than the amount of any preceding instalment, would not be 'substantially greater' within the meaning of section 3(b)(1) or 4(c)(1) of the regulation. A chart or schedule of

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"instalment payments prepared in accordance with the foregoing would be unobjectionable.

"There would be no question of compliance with the regulation if the chart or schedule followed the principle in that paragraph of W-10 relating to 'Instalments in decreasing amounts' (Regulation W Service No. 320 and No. 430). Where feasible, this approach to the problem may be preferable."

Approved unanimously, together with letter to the Presidents of all Federal Reserve Banks, reading as follows:

"This refers to Mr. Leonard's telegram of February 7, 1949, concerning the application of sections 3(b)(1) and 4(c)(1) of Regulation W to charts or schedules of instalment payments for obligations subject to the regulation where, as a result of the rounding off of instalment payments, one instalment payment is greater in amount than the next preceding instalments.

"While the matter does not appear to have become one of importance throughout the System, there is enclosed for your information a copy of the Board's reply of this date to a Federal Reserve Bank in this connection."

Letter prepared for the Chairman's signature to the Honorable Dennis Chavez, Chairman of the Committee on Public Works, United States Senate, reading as follows:

"This refers to your letter of March 4, 1949, requesting the Board of Governors to furnish your committee with such suggestions as we may deem proper, touching on the merits of the bill S. 1160 -- 'Missouri Valley Authority Act' and the propriety of its passage.

"The bill contemplates the establishment of the Missouri Valley Authority to provide a broad program of water control and resource development on the Missouri River and its tributaries throughout ten States. In addition to the board of directors of the Authority, provision is made for the establishment of an advisory committee consisting of a representative of each of the ten States, twelve persons appointed by the President, and the principal officer or his designee of certain Government agencies including the Board of Governors of the Federal Reserve System. This committee would act in an advisory capacity to the board of directors on matters of

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"broad policy which may be referred to it and on certain other specific matters.

"The Board of Governors does not at this time have any specific comment to make regarding this proposed legislation. However, the Board would like an opportunity to consider the matter more carefully, in consultation with the Federal Reserve Banks of the area affected. It may be, therefore, that at a later date the Board will wish to communicate with you further and to offer comments or suggestions regarding the provisions of the bill.

"We appreciate the opportunity which you have afforded us to express our views on this measure."

Approved unanimously.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"The arrangement under which the books and accounts of the Board of Governors for the calendar years 1946, 1947 and 1948 were audited by auditors for the Federal Reserve Bank of New York, under the direction of Mr. W. H. Dillistin, has terminated. The auditors made one surprise audit and a year-end audit for each calendar year and recently completed an audit as of the close of December 31, 1948.

"The arrangement with the New York Bank contemplated that the Board would reimburse it for the salaries of the auditors, retirement contributions made by the Bank on their behalf for the periods they were absent from their official duties at the Reserve Bank and engaged in such audits, their actual necessary transportation expenses, and an allowance for each auditor not to exceed \$8.00 per diem in lieu of subsistence.

"Mr. Dillistin and his associates have very ably performed this work, but in line with the Board's policy of rotating the task among the auditors of several of the Reserve Banks, the Board will be glad to have your auditors undertake the work on the above basis for the calendar years 1949, 1950 and 1951. It is understood informally that it will be entirely satisfactory to you to permit the auditors of the Federal Reserve Bank of Boston to audit the Board's accounts for the period and on the basis indicated. However, it will be appreciated if you will confirm this understanding.

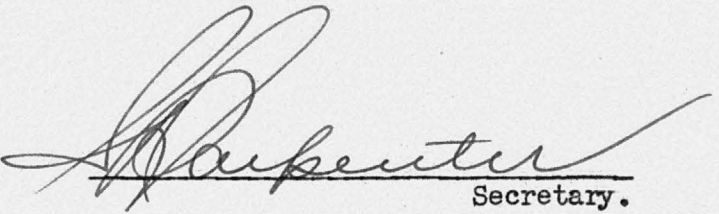
"In this connection it is suggested that your auditor get in touch with Mr. Dillistin for the purpose of obtaining detailed information regarding the scope of the audit as made by him and the procedure followed heretofore. The Board is today requesting the Federal Reserve Bank of Richmond to send

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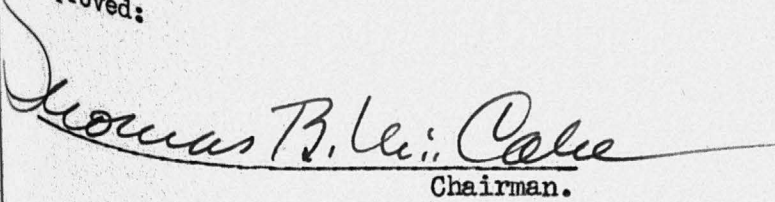
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"Mr. Fogg the usual statements of the Board's account as of the close of December 31, 1948, and thereafter until further notice."

Approved unanimously.


Secretary.

Approved:


Chairman.