

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, May 20, 1949.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
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 May 19, 1949, were approved unanimously.

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on May 17, by the Federal Reserve Bank of St. Louis on May 18, by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on May 19, 1949, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated May 17, 1949, from Mr. Young, Associate Director of the Division of Research and Statistics, recommending an increase in the basic salary of Randall W. Hinshaw, an economist in that Division, from \$5,984.40 to \$6,235.20 per annum, effective May 29, 1949.

Approved unanimously.

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Memoranda dated May 17 and 19, respectively, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointments to the staff of that Division as indicated below, effective as of the dates upon which the appointees enter upon the performance of their duties after having passed the usual physical examination:

<u>Name</u>	<u>Salary</u>	<u>Title</u>	<u>Duration of Appointment</u>
Miss Mary Ellen Standiford	\$2,086.00	Page	Permanent
John Kakalec	3,351.00	Accountant	Permanent

Approved unanimously.

Telegram to Mr. Sanford, Assistant Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your wire May 19. Board approves three month renewal to September 9, 1949 of the \$7,500,000 balance of gold loan to Bank Polski maturing June 9, 1949 on the same terms and conditions as apply to the outstanding loan and on the understanding that \$2,500,000 would be repaid by September 9, 1949 and that any further renewals of the loan which might be requested by Bank Polski would, if granted, be contingent upon the repayment of \$2,500,000 on or before each maturity date.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

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

"This refers to your letter of April 18, 1949, enclosing a copy of a letter dated April 11, 1949, to the Los Angeles Branch of your Bank from Mr. S. H. Kelley, Vice President of the Kelley Kar Company of Los Angeles. The letters relate to that portion of the Board's letter of March 22, 1949, concerning the application of Regulation W to the sale of services or insurance by the Kelley Kar

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"Company subsequent to the sale by it of the automobile to which such services or insurance relate.

"In its letter of March 22, 1949, the Board considered, among other things, the question of an extension of instalment credit for insurance or services sold by a Registrant at a date subsequent to the sale by him of an automobile to which such insurance or services relate and made pursuant to or as a result of any agreement, arrangement, or understanding therefor at the time of the sale and instalment financing of the automobile. The Board expressed the view that such credit must be treated in compliance with W-49 or W-50, as the case may be. Thus, the regulation does not permit credit so extended for insurance or services to be arranged for payment in instalments falling due after the maximum maturity provided in the regulation for credit covering the purchase price of the automobile.

"Mr. Kelley has asked, in effect, that the Board reconsider the position expressed in its letter of March 22, the substance of which was transmitted to Kelley Kar Company by your Los Angeles Branch. You naturally have referred Mr. Kelley's request to the Board.

"After a careful reexamination of the entire matter in the light of Mr. Kelley's present letter, we are unable to discover anything of substance that was not previously considered. While Mr. Kelley refers to certain aspects of the plan of his Company, he does not demonstrate any facts which would render as inapplicable to that plan the principle stated in the Board's letter of March 22.

"The Board is not unmindful of the situation in this regard confronting your Bank and the Los Angeles Branch of your Bank, nor is the Board unappreciative of the attention given by you thereto. It was gratifying to learn of the report of the Los Angeles Branch concerning the advertisements of the Company."

Approved unanimously.

Telegram to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reurlet May 16. Board approves appointment Charles L. Daily as assistant examiner for Federal Reserve Bank

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"of St. Louis. If appointments not made effective June 1, please advise."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of May 13, 1949, and previous correspondence, with regard to retaining Mr. Guy A. Thompson as special counsel in connection with the lease on the property upon which a part of the Federal Reserve Bank is located.

"It is noted that the work which Mr. Thompson has performed in preparing for litigation and which will be required in prosecuting the litigation will carry his fee beyond \$2500, and, in the circumstances, your bank has requested the Board's approval of the payment of a fee in excess of \$2500.

"The Board's letter of March 4, 1940 (S-206) contemplates that in situations of this kind the Board's approval of the payment of fees for special counsel be requested up to a stated amount. We recognize, however, that it may be impossible at this time to determine the exact fee and expense which might be incurred in connection with the matter referred to in your letter, at least until it is determined whether litigation may be instituted. However, the Board approves the employment of counsel as stated in your letter, with the understanding that the payment of any fees or expenses in connection therewith will be subject to the Board's approval."

Approved, Mr. Vardaman not voting.

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

"From time to time questions have arisen with respect to whether Series G United States Savings Bonds, which are redeemable but not salable, could be regarded as readily marketable securities for common trust fund purposes.

"While the classification of the bonds as readily marketable securities was consistent with the purposes

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"of the pertinent provisions of Regulation F, the bonds did not appear to comply technically with the definition of the term 'readily marketable security' contained in the Regulation.

"In order to clarify the situation, the Board has amended footnote numbered 19 in Regulation F, effective today, to provide specifically that, for the purposes of section 17 of the Regulation, the term 'readily marketable security' shall include any security which is a direct obligation of the United States. A copy of the amendment is enclosed herewith. Please have the necessary copies of the amendment printed for distribution in your District."

Approved unanimously, together with
the following amendment to Regulation F:

"TRUST POWERS OF NATIONAL BANKS
AMENDMENT TO REGULATION F

"Issued by The Board of Governors of The Federal Reserve System

"Effective May 20, 1949, footnote numbered 19 in
Regulation F is amended to read as follows:

'A readily marketable security within the meaning of this section means a security which is a direct obligation of the United States or which is the subject of frequent dealings in ready markets with such frequent quotations of price as to make (a) the price easily and definitely ascertainable and (b) the security itself easy to realize upon by sale at any time.'

Letter to Mr. B. R. Kennedy, Director, Division of the Federal Register, reading as follows:

"In compliance with the provisions of the Federal Register Regulations revised effective September 11, 1946, there are transmitted for filing in your Division and for publication in the Federal Register, an original and three certified copies of a Notice of amendments to Part 261 relating to the Board's Rules of Organization."

Approved unanimously, together with
the following Notice of amendments:

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"TITLE 12 - BANKS AND BANKING

"CHAPTER II - FEDERAL RESERVE SYSTEM

"SUBCHAPTER A - BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

"PART 261 - RULES OF ORGANIZATION

"The Rules of Organization (formerly 12 CFR, Part 261) have been amended in the following respects:

1. Sec. 261.3(b) was amended, effective as of December 6, 1948, to read as follows:

'(b) Legal Division. The Legal Division is headed by the Board's General Counsel. It advises and assists the Board with respect to legal matters, including, among other things, preparation of, or assistance on, regulations, orders, opinions and other documents or correspondence of legal or semi-legal character.'

2. Sec. 261.3(e) was amended, effective as of September 16, 1948, to read as follows:

'(e) Division of Bank Operations. The Division of Bank Operations is headed by a Director. It advises and assists the Board with respect to matters concerning the condition, operation, and reports of the Federal Reserve Banks, arranges for printing and shipment of Federal Reserve notes to supply the Federal Reserve Banks, and collects and prepares various data regarding condition, earnings, expenses, and other statistics of Reserve Banks, member banks, and other banks. It also deals with administrative matters arising under Part 222 relating to consumer instalment credit.'

3. Sec. 261.3(f) was amended, effective as of December 6, 1948, to read as follows:

'(f) Office of the Solicitor. The Office of the Solicitor is headed by the Solicitor. It is responsible for the representation of the Board in all litigation to which the Board may be a party and for the institution and conduct of all formal proceedings by or on behalf of the Board to enforce provisions of law or of the Board's regulations.'

"BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

/s/ S. R. Carpenter

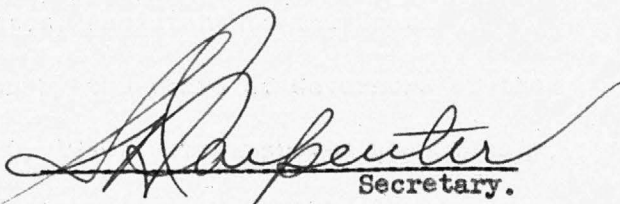
S. R. Carpenter,
Secretary.

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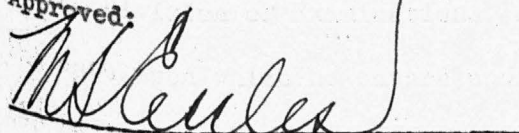
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"Certified to be a true copy of the original.

/s/ S. R. Carpenter
S. R. Carpenter,
Secretary.


Secretary.

Approved:


Chairman pro tem.