

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 24, 1949. The Board met in the Board Room at 9:00 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Leonard, Director, Division of Bank Operations
Mr. Young, Associate Director, Division of Research and Statistics
Mr. Hostrup, Assistant Director, Division of Examinations
Mr. Smith, Special Counsel

Before this meeting there had been sent to each member of the Board a copy of a memorandum prepared by Mr. Smith under date of June 9, 1949, with respect to the question whether the Board should comply with the formal demand of Transamerica's counsel, made in the course of the hearing on the Clayton Act proceeding against that Corporation, that the Board's 1943 and 1946 examination reports of Transamerica and its affiliates be produced for inspection by counsel for Transamerica. In the memorandum Mr. Smith stated that he believed the "open" or non-confidential sections of the reports should be so produced and that that might be done without the necessity of

6/24/49

-2-

the Board reversing the Hearing Officer's ruling that only parts of the reports be made available for inspection by Transamerica's counsel. The memorandum also stated alternative ways in which the reports might be made available to Transamerica.

Mr. Evans stated that he had no objection to changing the Board's present policy so that in the future holding companies would be given copies of examination reports, excepting the confidential sections, in the same manner in which they were given such reports prior to the action of the Board on January 31, 1945, but that he did not feel there was any reason to make available to Transamerica Corporation at this time the complete reports of examination made in 1943 and 1946 and if such action were taken it would seem desirable to follow the same procedure with respect to reports of examination of all other holding companies and their affiliates in which event a large amount of work would be imposed upon the Board's staff to supply reports for which no demand had been made or appeared to exist.

There followed a discussion of the reasons for the Board's action of January 31, 1945, adopting a rule that holding company affiliates would not be furnished with copies of reports of examination of the subject companies, and Mr. Vest stated that conversations with Mr. McKee, who was then a member of the Board and who made the motion to withhold such reports, and with Mr. Dreibelbis, then

6/24/49

-3-

General Attorney of the Board, had added little to the reasons for adopting such a rule beyond those contained in the minutes of the meeting at which the action was taken. Mr. Vest added that denial of the request of Transamerica's counsel for the 1943 and 1946 reports might raise possible issues in the Clayton Act proceeding which counsel for the respondent would present in court, that the chances were such a decision would be considered an erroneous ruling but even so might not be considered a reversible error, but that the issue could be eliminated entirely if the reports were given to Transamerica. Mr. Vest also said that when Mr. Townsend, Solicitor of the Board, was in Washington earlier this month, he informed him that he did not have any objection to making the reports available at this time but that he (Mr. Townsend) raised the question whether it would be desirable for the Board to take an action which might be considered as contrary to a ruling of the Hearing Officer.

Mr. Evans reiterated that he had no objection to making the reports available in their entirety as requested, that he had already made available certain portions of the reports in accordance with the ruling he had given at the hearing which he thought gave Transamerica's counsel everything he wanted, and that his only objection was to the amount of work involved if the Board's action of January 31, 1945, was rescinded.

6/24/49

-4-

Mr. Vardaman stated that he raised this question because he felt the reasons stated in the Board's minutes of January 31, 1945, for adopting the policy of withholding such reports were in error, that he felt strongly this record should be corrected, that he disliked making the reports of the 1943 and 1946 examinations of Transamerica Corporation available retroactively but that he did not see how the Board could consistently resume the practice of furnishing reports in the future without also complying with the request of Transamerica for the 1943 and 1946 reports, and that he had reached the conclusion that the best procedure would be to rescind retroactively the Board's ruling requiring that examination reports of holding companies not be made available to the companies examined.

There followed a discussion of Mr. Vardaman's suggestion during which he moved that the Board rescind the rule requiring that examination reports of holding company affiliates be not made available to the companies examined and that the Board adopt a policy of making such reports of examination available to the subject companies in the same manner and to the same extent as reports of examination of member banks are made available to such banks, it being understood that the Board would advise the Federal Reserve Banks that no announcement was being made by the Board of this change in policy but that should a bank holding company affiliate request copies of reports of examination completed between February 3, 1945, and the present, the Federal Reserve Bank was authorized to make such reports available in the manner and to the extent

6/24/49

-5-

authorized by the new policy.

Mr. Vardaman's motion was put by the Chair and carried unanimously, with the further understanding that the action contemplated that the reports of the 1943 and 1946 examinations of Transamerica Corporation and of affiliated companies, except for the confidential sections and material in the open sections which should have been placed in the confidential sections, would be made available to the Corporation pursuant to the request made at the hearing now being conducted by the Board's Hearing Officer.

Reference was made to the discussion at the meeting on June 13, 1949, of the procedure that would be followed in the event Transamerica Corporation filed a motion at the conclusion of the Board's testimony to dismiss the Clayton Act proceeding for failure of the Board to make a case. Mr. Vest stated that he was of the opinion that the Board might handle such a motion in any one of three ways: (1) The Board might undertake to consider and decide the motion itself, (2) the Board might refer the motion to the Hearing Officer for a recommendation as to the decision, or (3) the Board might refer the motion to the Hearing Officer for disposition by the Hearing Officer. He went on to say that all things considered, he felt the last alternative should be followed.

Mr. Smith stated that he agreed with Mr. Vest's statement completely and that the only additional comment he would make would be that in his opinion the Hearing Officer would not technically have

6/24/49

-6-

authority to dismiss the case without action by the Board itself and that if the Hearing Officer should reach a conclusion that such a motion should be granted, it would then be necessary that an order of dismissal be entered by the Board.

Mr. Evans stated that, as indicated at the meeting on June 13, he would not wish to assume the responsibility of granting a motion to dismiss the case and that if he should feel upon consideration that such motion should be granted, he would refer it to the Board. He added, however, that he felt the question of considering the motion and of determining whether oral argument should be heard was part of his responsibility as Hearing Officer and that until he had made a report to the Board in the matter, such a motion should be referred to him for hearing.

Thereupon, Mr. Evans moved that if upon completion of presentation of the Board's case in the Clayton Act proceeding against Transamerica attorneys for the Corporation addressed to the Board a motion to dismiss the case, it be understood that the Board would enter an order referring the motion to the Hearing Officer for consideration and disposition.

This motion was put by the Chair and carried in the light of Mr. Evans' statement that if he should feel upon consideration of such a motion that it should be granted, he would refer the matter to the Board for formal action. Mr. Vardaman voted "No" on this action.

Mr. Evans stated that he hoped nothing would occur which would

6/24/49

-7-

cause the Board to change its mind with respect to the handling of such a motion to dismiss, and the members of the Board all indicated that they would not do so in the absence of developments that could not now be foreseen.

Chairman McCabe suggested that if other matters with respect to the Transamerica hearing occurred to any of the members of the Board, they should be brought up for consideration before Mr. Evans left to return to San Francisco. He also stated that he felt the handling of the case should be left as far as possible in the hands of the Hearing Officer and those designated to act in connection with it unless some difference of opinion arose between the Hearing Officer, his technical legal adviser, the Legal Division, or the Board's Solicitor which made it necessary to come to the Board.

This suggestion was concurred in by all of the members of the Board who were present.

Mr. Szymczak stated that he assumed this action disposed of the question raised at the meeting on April 12, 1949, as to whether Congress should be asked to authorize subpoena power for the Board, as well as the question concerning the possible appointment of an alternate Hearing Officer.

Mr. Vardaman stated that he raised the question regarding subpoena power and that he was now satisfied it would be useless and bad judgment to request Congress to give such authority at this time, but that he wished to call the Board's attention to the fact that in

6/24/49

-8-

a memorandum dated April 25, 1949, and in a succeeding Board meeting he suggested that this whole question be reviewed by the Board to determine whether or not the Board should go to Congress to ask for the subpoena authority.

The question of possible appointment of an alternate hearing officer was discussed briefly and it was understood that no action in this respect need be taken at this time.

Mr. Evans stated that since Mr. Morrill was to act as liaison officer between the Board and himself as Hearing Officer, he felt it would be highly desirable if Mr. Morrill in that capacity would attend some of the hearings in San Francisco. Mr. Evans also stated that there might be occasions when the hearings in San Francisco would be recessed for several days at a time, that some members of the staff on the West Coast might not find their time fully occupied during such recesses with work on the case, but that he did not feel it would be desirable to request them to return to Washington if such recesses were to be for brief periods which would not much more than cover transportation time. Mr. Evans also stated that he contemplated visits to different parts of the Twelfth District or other areas if any such recesses permitted.

It was the consensus that Mr. Evans should use his judgment in determining the best use of his time or that of the staff in such periods of recess, with the understanding that he would keep the Board informed.

6/24/49

-9-

In this connection, Chairman McCabe requested Mr. Evans to study the officer personnel situation at the Federal Reserve Bank of San Francisco and its branches and to consult with Mr. Wilbur, Chairman of the Board of the San Francisco Bank, when he had an opportunity to do so in order to obtain his observations in these matters.

Mr. Eccles entered the meeting at this time, and Messrs. Smith and Hostrup withdrew.

There were presented telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on June 21, by the Federal Reserve Banks of St. Louis and Minneapolis on June 22, by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Dallas on June 23, and by the Federal Reserve Bank of Chicago on June 24, 1949, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Chairman McCabe stated that he telephoned Mr. Aldrich, Chairman of the Chase Bank, New York, after the meeting on June 21 and that Mr. Aldrich would like to meet with such members of the Board as were available on Tuesday, June 28, at 2:30 p.m. but that in view of the fact that a meeting of the Federal Open Market Committee had been called for that afternoon it would be necessary to set an

6/24/49

-10-

alternate time for meeting with Mr. Aldrich.

Mr. Vest stated that this morning he received a letter from Mr. Eugene Southall, Counsel for the Chase Bank, but that Mr. Southall furnished very little of the information concerning the business of American Express Company which was requested of him pursuant to the discussion at the meeting on June 3.

It was suggested that Mr. Aldrich be informed that a meeting with the Board would seem to be fruitless in view of their failure to furnish the information to enable the Board to consider the proposed acquisition of American Express Company by the Chase Bank but that if knowing this Mr. Aldrich wished to do so, the Board would be glad to have him meet with such members as were available at luncheon at 1:00 p.m. on Wednesday, June 29.

It was understood that Chairman McCabe would call Mr. Aldrich on the telephone and inform him of these views.

Mr. Thurston stated that proofs of the Annual Report to the Congress covering the calendar year 1948 had been sent to all members of the Board and that in the absence of further changes by members of the Board the Report was ready for approval and would be sent to the printer for final printing in the course of the next few days.

Upon motion by Mr. Evans, the Annual Report was approved unanimously, with the understanding that copies would be sent to the Speaker of the House of Representatives and the President of the

6/24/49

-11-

Senate as soon as it was printed.

Reference was made to a memorandum from Mr. Leonard dated June 17, 1949, and to a draft of letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, prepared in response to a letter from him dated May 30, 1949, requesting that the Board approve a maximum fund of \$30,000 to be advanced by the Bank for the purpose of making loans to employees.

Mr. Vardaman stated that he was opposed to the use of Federal Reserve Bank funds for making loans to officers or employees of the Federal Reserve Banks, that he had understood that this practice was to be eliminated as a result of discussions at the Presidents' Conference in February 1948 and that the Reserve Banks would establish credit unions to take care of such needs, and that he felt there should be no further additions to the funds used by the Reserve Banks for making such loans.

Mr. Eccles stated that the Board had questioned the making of loans of this type, that the matter was discussed at the February 1948 Presidents' Conference at which time some of the Presidents of the Reserve Banks stated that they felt that it was desirable for the Reserve Banks to make advances to employees in emergency cases where funds were not otherwise available, and that the Board approved a letter to all Federal Reserve Banks on March 12, 1948, (S-107 FRLS 9061), authorizing the use of an amount not in excess of \$15,000 for such pur-

6/24/49

-12-

poses or \$25,000 in the case of the New York Bank, with the understanding that an individual Reserve Bank might submit a request for an increase in the fund.

During the discussion of the matter, Mr. Szymczak suggested that it be referred to the Personnel Committee for study with a request that the Committee submit a recommendation to the Board as to a policy that should be followed.

Mr. Vardaman stated that he was willing to refer the question to the Personnel Committee, with the understanding that he felt the Reserve Banks should be requested to liquidate their present loans to officers and employees within the next two years and discontinue the practice of making such loans. He added that he would have no objection to authorizing each Reserve Bank to establish a modest fund to be used as a revolving fund for taking care of emergency situations which arose among employees.

Mr. Eccles stated he would not wish to approve an increase in the fund of the Atlanta Bank, that, for reasons which he stated, he was opposed to the practice of employer-employee loans, but that he would not object to continuance of the present authority under which each Reserve Bank might have a fund for use in making welfare loans to employees not in excess of \$15,000, except that New York is authorized to have a fund of \$25,000.

Following the discussion, it was

6/24/49

-13-

agreed unanimously that the Personnel Committee would study the matter and submit a recommendation to the Board.

Mr. Horbett entered the meeting at this time.

Copies of two memoranda from Messrs. Riefler and Young and Mr. Youngdahl, Chief of the Banking Section of the Division of Research and Statistics, dated June 23, 1949, were then distributed and read in silence by those who were present. The first memorandum recommended a program of credit policy for deflation, stating that in the light of the Board's discussion of the memorandum dated June 21, 1949, presented at the meeting on that date and of subsequent staff discussions, a revised program was suggested as follows:

1. Immediate reduction of rediscount rates to 1-1/4 percent.
2. Reliance on the market to determine prices and yields on Government obligations in accordance with primary supply and demand forces, (but possibly continuing the 2-1/2 percent long-term rate as a limiting factor).
3. Complete discontinuance of sales of longer-term Government bonds, except on a traditional orderly market basis.
4. Firm maintenance of the System's present holdings of certificates, notes, and shorter-term bonds, with a roll-over on an exchange basis of maturing issues.
5. Reduction of reserve requirements sufficient to enable the market to absorb System bill holdings, either immediately or as they become due, and to maintain excess reserves at about 1.5 billion dollars, with excess reserves well distributed among the three classes of member banks.

The second memorandum discussed the subject of large excess reserves and the threat of excessive credit expansion.

6/24/49

-14-

There was an informal discussion of the matter during which it was understood that the members of the Board would study the entire question and that there would be further discussion of it at a meeting of the Board on Tuesday, June 28, 1949, at 10:00 a.m. preparatory to the discussion of open market aspects of the program at a meeting of the Federal Open Market Committee at 2:30 p.m. on that date.

At this point all of the members of the staff with the exception of Mr. Carpenter and Mr. Riefler withdrew from the meeting.

Mr. Szymczak reviewed the consideration which had been given to the employment by the Board of Mr. Arthur W. Marget, Economic Adviser to Ambassador Harriman of the Economic Cooperation Administration, and stated that it had been ascertained that Mr. Marget would be available for such employment on January 1, 1950, and would be willing to join the Board's staff with a salary at the rate of \$13,500 per annum. He also said that no commitment had been made to Mr. Marget as to whether he would be appointed as associate or assistant director of the Division of Research and Statistics or as the chief of the international economic policy unit of the international section, that it had been suggested that it would be desirable to have Mr. Marget join the staff in the latter capacity so that it would be possible to observe his work for a period before deciding whether he should be appointed to an official position, and that the

6/24/49

-15-

question was whether the Board would be willing to appoint him as chief of the international economic policy unit.

Mr. Eccles stated that a salary of \$13,500 for the position of chief of the international economic policy unit would be out of line and would not be justified. In the ensuing discussion, several of the members of the Board stated that they would be willing on the basis of the satisfactory information that had been obtained with respect to Mr. Marget's abilities to appoint him as assistant director of the Division of Research and Statistics.

Thereupon, Mr. Szymczak suggested that Mr. Riefler be requested to advise Mr. Marget that the Board approved his appointment as Assistant Director of the Division of Research and Statistics in charge of the international economic policy unit of the Division with salary at the rate of \$13,500 per annum, effective January 1, 1950.

This suggestion was approved unanimously, with the understanding that it would be within the discretion of Messrs. Szymczak and Riefler whether Mr. Marget would be requested to come from Europe to Washington at the Board's expense for a conference prior to the date of his employment.

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 June 23, 1949, were approved unanimously.

6/24/49

-16-

Memorandum dated June 24, 1949, from Mr. Sloan, Assistant Director of the Division of Examinations, recommending the appointment of Miss Diane Kendrick Vigeant as a typist in that Division on a temporary basis for a period extending through September 17, 1949, with basic salary at the rate of \$2,284 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated June 23, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of John N. Lyon, an accountant in that Division, from \$3,476.40 to \$3,727.20 per annum, effective June 26, 1949.

Approved unanimously.

Memorandum dated June 20, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that an assessment of two hundred and eight thousandths of one percent (.00208) of the total paid-in capital and surplus (sections 7 and 13b) of the Federal Reserve Banks as of June 30, 1949, be levied against the Federal Reserve Banks for the general expenses of the Board of Governors for the period July 1 to December 31, 1949, and that the Banks be instructed to pay in the assessment in two equal instalments on July 1, 1949, and September 1, 1949.

The following resolution levying an assessment in accordance with the

6/24/49

-17-

above recommendation was adopted by
unanimous vote:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning July 1, 1949, it is necessary that a fund equal to two hundred and eight thousandths of one per cent (.00208) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to two hundred and eight thousandths of one per cent (.00208) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business June 30, 1949.

(2) Such assessment, rounded to the nearest hundred dollars, shall be paid by each Federal Reserve Bank in two equal installments, the first of July 1, 1949, and the second on September 1, 1949.

(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided."

6/24/49

-18-

Letter to the Honorable John L. Rankin, Chairman of the Committee on Veterans' Affairs, House of Representatives, reading as follows:

"This is in reply to your letter of June 8, 1949, requesting comments with respect to the bill H. R. 2436 to amend the Servicemen's Readjustment Act of 1944.

"Under this bill, the Administrator of Veterans' Affairs would be authorized until June 30, 1952, to purchase home loans guaranteed under section 501 of the Servicemen's Readjustment Act of 1944, provided that, among other conditions, the sellers certified that they would recommit amounts equal to the proceeds of the sales to the making of new loans to eligible veterans at not over 4 per cent interest. The Administrator also would be authorized until June 30, 1951, to make 4 per cent direct loans to veterans unable to obtain GI home loans from private lending sources at that interest rate. The Secretary of the Treasury would be directed to provide up to \$800,000,000 for the purchase of loans, and \$500,000,000 for direct loans, with specified limits on the amounts available each fiscal year. In addition, the bill would repeal section 505(a) of the Servicemen's Readjustment Act of 1944, which authorizes the Administrator of Veterans' Affairs to guarantee second mortgage loans, and would amend the National Housing Act to provide that the Federal National Mortgage Association should purchase no GI loans and no other loans bearing over 4 per cent interest.

"The proposed legislation is designed to make more credit available to veterans on very liberal terms to finance the purchase of homes. It makes no distinction between old and new houses and, therefore, is not designed essentially to promote new construction. Departing from the established practice of Government guarantees and insurance of loans to facilitate the purchase of homes, this proposal would set a precedent by authorizing direct Government loans to veterans for this purpose. It might be expected that a large percentage of the direct loans would be full purchase price loans, and it would appear that, in other respects, such legislation might give further impetus to the purchase of homes without down payments.

"The Board is fully sympathetic to the desire of veterans to acquire homes and to a policy of assisting veterans to

6/24/49

-19-

"obtain needed financing on a sound basis. It believes, however, that the interests of veterans are not served by a liberalization of credit for housing at high prices, which encourages them to assume excessive financial burdens which they may not be able to carry. By authorizing the extension of a large amount of Government mortgage credit, this proposal would tend to delay desirable readjustments in building costs and housing prices. With present inflated prices, the liberalization of housing credit carries with it greater potentialities of ultimate default.

"We have been advised by the Bureau of the Budget that it has no objection to the submission of this report on the bill H. R. 2436."

Approved unanimously, Mr. Vardaman not voting, together with a letter to the Honorable Frank Pace, Jr., Director of the Bureau of the Budget, reading as follows:

"There are enclosed copies of a letter addressed by the Board today to the Honorable John L. Rankin, Chairman of the Committee on Veterans' Affairs of the House of Representatives in response to a request for a report on the bill H. R. 2436 to amend the Servicemen's Readjustment Act of 1944.

"This report is substantially identical with the report made by the Board to your office under date of April 7, 1949, in response to a request for advice as to the Board's views concerning the bills H. R. 2436 and S. 686. The last paragraph of the enclosed letter to Chairman Rankin is based upon advice received by telephone from your office."

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

"In the last report of examination of the Federal Reserve Bank of Kansas City, it was noted that Mr. W. A. Alexander, who was appointed by the Board of Governors as a director of the Denver Branch, is reported as being a director of the Denver National Bank, Denver, Colorado.

"As you know, the regulations relating to branches of Federal Reserve Banks provide in part that branch directors

6/24/49

-20-

"appointed by the Board of Governors shall be persons who are not primarily engaged in banking and preferably are not directors of banks, although they may be stockholders.

"Inasmuch as Mr. Alexander's term expires on December 31, 1949, the Board will interpose no objection to his continuing to serve as a director of the Denver Branch for the remaining portion of his term while also serving as a director of the Denver National Bank. In the event that similar situations should arise in the future the Board will appreciate being advised promptly in order that consideration of the matter will not be delayed."

Approved unanimously.

Letter to Mr. Wayne C. Grover, Archivist, The National Archives, Washington 25, D. C., reading as follows:

"Attached are four lists in duplicate prepared on National Archives Forms 8, 40, and 108 requesting authority to dispose of the records listed thereon.

"The requests on Forms 8 and 40 apply, respectively to accumulated material covering gold export and currency applications and export licenses (1917-1918) and Federal Reserve Bank organization committee records (1913-1914). These records are not of a continuing nature.

"One of the requests submitted on Form 108 applies to reports of examination of the Federal Reserve Banks and records relating to State banks that are no longer members, or which applied for but did not complete membership, in the Federal Reserve System. This request is for authority to destroy accumulated records and for continuing authority for destruction according to the schedule proposed. The other request on Form 108 covers records on Board of Governors Forms 105 and 107, Condition of Member State Banks and Earnings and Dividend Reports of Member State Banks, respectively. The purpose of this request is to reduce from ten years to five years the destruction schedule applicable to such records.

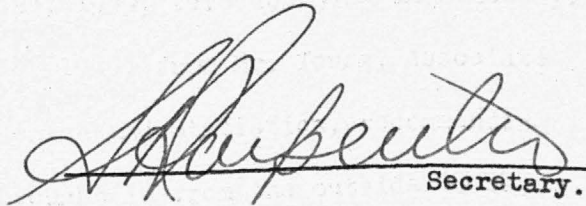
"Samples of the material proposed for destruction accompany the respective lists and samples of the films which have been made of the several records are transmitted herewith for your examination. The samples of material are for retention by you, and we shall appreciate your returning the films to us after they have served their purpose.

6/24/49

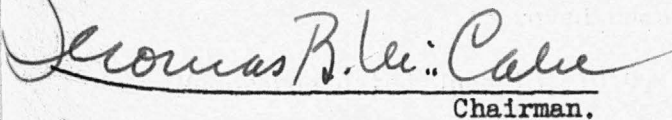
-21-

"Some of the records referred to in the attached lists are confidential and, inasmuch as the rest of the material listed does not have a sufficient volume to justify its sales as waste paper, it is felt that all of the records should be incinerated. It will be appreciated if you will review the material and inform us when a decision is made with respect to the proposed authorization for destruction."

Approved unanimously.


Secretary.

Approved:


Chairman.