Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, June 29, 1949. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Evans
Mr. Vardaman
Mr. Clayton

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

Before this meeting there had been circulated among the members of the Board a draft of letter to Senator McClellan, Chairman of the Senate Committee on Expenditures in the Executive Departments, prepared in response to his letter of May 23, 1949, requesting a report from the Board with respect to recommendations contained in the reports of the Commission on Organization of the Executive Branch of the Government. Mr. Vardaman had asked that the draft be considered at this meeting, and at his request Mr. Sherman read portions of the proposed letter which Mr. Vardaman felt implied that the Board advocated elimination of overlapping Federal bank supervision, a position to which he (Mr. Vardaman) said he was opposed.

During a discussion of the draft, which commented at some length on the contents of the Commission's reports and those of its task forces, Mr. Eccles suggested that in view of the variations and conflicts in recommendations within the Commission itself and between the Commission's and some of its task force reports, the letter be redrafted in a form which would not attempt to comment in detail upon any of the Commission's recommendations but which would take cognizance of the variations in recommendations and point out that because of the complex problems involved, the matter should be the subject of an overall study of the banking and monetary system of the United States by a national monetary commission, a proposal which previously had been endorsed by the Board.

Mr. Eccles' suggestion was approved unanimously, with the understanding that the revised draft would be prepared by the staff and submitted for the Board's consideration.

Mr. Clayton referred to a draft of letter to Chairman Harl of the Federal Deposit Insurance Corporation prepared for Chairman McCabe's signature in response to Mr. Harl's letter of June 2, 1949, regarding capital structures of banks, which had been circulated among the members of the Board and revised in the light of a suggestion from Mr. Vardaman.

The revised portion of the draft was read and upon motion by Mr. Clayton, the letter was approved unanimously as follows:

"This refers to your letter of June 2, 1949, supplementing your remarks to me in a recent telephone conversation, regarding the desirability of stimulating the building of more adequate capital structures by banks having ratios of total capital accounts to total assets below the national average, at the end of 1948, of 6.7 percent.

"I have examined, with interest, the two map charts enclosed with your letter, and in addition have reviewed tabulations, by classes of banks and by States, showing the ratios of total capital accounts to total assets. By classes of banks, the national averages were:

	Percent
All Banks	6.7
State Member Banks	7.2
National Banks	6.4
Insured Nonmember Banks	6.5

"In this connection, you will recall that in the Board's letter of February 13, 1948, addressed to you regarding the subject of capital ratios, we indicated that we believed that the so-called capital-risk asset ratio is more significant than the capital to total assets ratio for preliminary screening purposes. Accordingly, I have also reviewed a tabulation of the ratios of total capital accounts to total assets less Governments and cash assets, based on aggregates, by classes of insured commercial banks and by States. The national averages were:

	Percent
All Banks	19.3
State Member Banks	21.0
National Banks	18.8
Insured Nonmember Banks	17.8

"You will note that, on the basis of either ratio in the aggregate, State member banks make a somewhat better showing than the national average for all banks or for either of the other groups. However significant the aggregate capital of banks may be for some purposes relating to the banking system, other factors must also be taken into account from the standpoint of bank supervision and the really important consideration is the adequacy of the capital in relation to the conditions found in individual banks.

"Aside from statistical measures, consideration must also be given to the character and condition of assets, the demonstrated ability of management, the nature of deposit "and other liabilities and corporate responsibilities, earning power, and other relevant factors. Therefore, the adequacy of protection afforded by a bank's capital cannot be determined by any single, fixed ratio.

"With these facts in mind, we are fully aware that some banks are under-capitalized on any satisfactory basis, and this is a problem that has received our careful and continuing consideration. The topic is discussed frequently at our bank examination and supervision conferences. More importantly, however, the adequacy of bank capital is considered as a part of the regular review given each report of examination of a State member bank by both the Reserve Bank and the Board's Division of Examinations, in addition to the consideration given the subject by the field examiner. Where warranted, deficiencies in capital adequacy are brought to the attention of the management of individual institutions in reports of examination, correspondence, and conferences.

"While the capital position of any individual bank should be kept reasonably adequate under all conditions, any drive or campaign for bank capital should be timed in relation to the economic situation. The most propitious time for such efforts is during periods of high prosperity when bank earnings are large. On the other hand, when business activity and bank earnings are both falling, banks should not, as a general policy, be subjected to pressure for improvement of capital ratios. The present is an instance of this kind, and it is the view of the Board that it would be ill-advised and unfortunate if the banks of the country were to be made fearful that they would be subjected to pressure for increased capital during a period when banking conditions may well become difficult from the point of view of earnings. This concept, however, still leaves the supervisory authorities free to continue efforts for better capital ratios for certain individual banks whose ratios are unreasonably low.

"In conclusion, the Board's proposal regarding modifications in the capital requirements set forth in section 9 of the Federal Reserve Act would in no way interfere with the efforts of the Federal Deposit Insurance Corporation, indeed of all three Federal agencies, to bring about improvement in the capital ratios of insured banks. I assure you that the Board of Governors will continue to confer with your Corporation in connection with the "applications of organizing State banks and uninsured operating State banks for membership in the Federal Reserve System, particularly the adequacy of their capital structures."

Mr. Clayton referred to previous discussions of the proposed revision of the uniform agreement for examination procedure, stating that last week he again discussed the matter with Comptroller of the Currency Delano who said he would find out from Deputy Comptroller Robertson what the status of the matter was. Mr. Clayton said that he told Comptroller Delano that it was in Mr. Robertson's hands, that although Mr. Robertson was opposed he would go along but wanted to rewrite the statement which had been accepted by Mr. Elliott V. Bell, Chairman of the Committee on Review of Uniform Valuation Policy, National Association of Supervisors of State Banks, and that he (Mr. Robertson) had suggested another meeting of representatives of the three Federal bank supervisory agencies and the Supervisors' Association to discuss the matter further.

Mr. Eccles observed that it was inconsistent for examination policy to pursue a course which amounted to putting pressure on banks to curtail credit in a deflationary period while monetary authorities were taking off the pressure.

Chairman McCabe suggested that he be authorized to discuss the matter with Secretary of the Treasury Snyder with a view to obtaining his assistance in reconciling examination and monetary policy.

Chairman McCabe's suggestion was approved unanimously.

Chairman McCabe reported that he talked with Mr. Staats of the Budget Bureau this morning regarding the bank holding company bill and that Mr. Staats said he would like to know whether there were likely to be hearings on the bill if it were introduced, that following this conversation he talked with Chairman Maybank of the Senate Banking and Currency Committee who told him that Senator Robertson was much interested in the bill and would like to introduce it, that Senator Maybank said it would be difficult to get hearings because of the present condition of the legislative program but that Senator Robertson felt he could fit them in, and that Senator Maybank felt it would be better if the bill could come to him after it had been cleared by the Budget Bureau. Chairman McCabe went on to say that on the basis of these conversations, he hoped he would have word from Mr. Staats within a few days which would open the way for sending the bill to Senator Maybank.

Mr. Clayton read a letter from Chairman Creighton of the Federal Reserve Bank of Boston dated June 20, 1949, asking informal approval of an increase in the salary of Mr. Fogg, Auditor of the Boston Bank, from the rate of $10,000 per annum to $12,000. Mr. Clayton stated that he discussed the matter with Chairman Creighton and Mr. Erickson, President of the Bank, when he was in Boston on

Monday of this week, that in addition to his duties as Auditor Mr. Fogg had been appointed Chairman of the Planning Committee of the Bank which would study systems, plant layout, new machinery and equipment, and all building plans and requirements, and which would report directly to the President, and that the Personnel Committee recommended that Chairman Creighton be informed that the Board would approve the proposed salary effective July 1, 1949, if fixed at that rate by the directors of the Bank.

Mr. Vardaman raised the question why the matter had not first come to him for handling in view of his assignment which included initial consideration of matters relating to Reserve Bank operations.

Mr. Clayton said that since the matter involved salary approval he and Mr. Szymczak as members of the Personnel Committee handled it, that he did not understand that the Board would pass upon a rearrangement of assignments of Federal Reserve Bank officers such as the one involving Mr. Fogg, but that if this assumption was in error he would be glad to withdraw the recommendation of the Personnel Committee and refer the entire matter to Mr. Vardaman for handling.

Mr. Vardaman stated that he felt the letter from Mr. Creighton related primarily to operational matters and that the salary increase would be incidental to a change in assignment, that it should have been referred to the Division of Bank Operations for review and recommendation, but that in view of the recommendation submitted by the Personnel Committee he would prefer that the Board consider it on that basis.

In response to a question from Chairman McCabe, Mr. Leonard stated that while he had not previously known of Mr. Fogg's designation as Chairman of the Planning Committee, he understood there was a great need for such an arrangement at the Boston Bank and that in his opinion Mr. Fogg was eminently well fitted for the assignment.

Thereupon, upon motion by Mr. Clayton, approval was given to a letter to Mr. Creighton in the following form, Mr. Vardaman not voting:

"Your letter of June 20, 1949, addressed to Governor Szymczak was considered at a meeting of the Board this morning, at which time Governor Clayton also reported his conversations with you and Mr. Erickson at the time he visited your Bank on Monday of this week.

"In view of the circumstances set forth in your letter and presented in greater detail by Governor Clayton, the Board approves the payment of salary to Mr. John J. Fogg, Auditor, for the period July 1, 1949 to April 30, 1950, inclusive, at the rate of $12,000 per annum, if fixed by the Board of Directors of your Bank at this rate."

Chairman McCabe then brought up the question of action to be taken with respect to reserve requirements of member banks.

In response to a question from Chairman McCabe, Mr. Young expressed the opinion that in the current business situation the need for reduction in reserve requirements was certain and the only question was whether the reduction should be effected at once or in the near future, that he doubted whether the estimated $800 million which would be added to bank reserves on June 30 because of expiration of the supplemental reserve requirements would give as much ease in the situation as was desirable, and that he felt an additional decrease in reserve requirements should be effected by the Board at this time.

Mr. Riefler said he felt it would be preferable to put a large volume of excess reserves into the market at once rather than to make a series of small reductions in reserve requirements later.

Chairman McCabe said that it was his feeling that in view of the action taken by the Open Market Committee yesterday, the Board should follow at this time with a reduction in reserve requirements beyond that which would result from expiration of the supplemental authority, that he thought such action was inevitable in the near future, and that it would be better to take it now. He also said that he would like to have Reserve System holdings of securities reduced and that if reserve requirements were reduced, banks could take over some of the System's portfolio.

Mr. Eccles said that the response of the money market to the Open Market Committee's announcement had been very strong -- perhaps too strong, the bill rate having fallen from 1.16 to 1.10 the first day following the action -- and that the $800 million of reserves which would be released by expiration of the supplemental requirements tomorrow would be an additional large easing factor. He added that, for reasons which he outlined, he would prefer to wait and see whether a further decrease in reserve requirements was actually needed, stating that he did not feel it was inevitable although he thought it likely. With respect to the suggestion that the System's portfolio be reduced by sales to banks, Mr. Eccles said that if banks could satisfy their desire for additional earning assets by using reserves to purchase bills and certificates from the System account at or near present yields, they would have less incentive to make loans and to invest in capital issues of industry, municipalities, and the like.

Mr. Szymczak said he preferred a policy of awaiting market developments to one of leading interest rates downward, that he would like to avoid any inference that the Board was easing the market for the purpose of facilitating Treasury financing, and that after seeing the effects of the increase of funds resulting from lapse of the supplemental authority, he would be in favor of putting more reserves in the market if needed.

Mr. Evans said that he had been impressed by the fact that all of the Reserve Bank Presidents attending the Open Market Committee meeting yesterday preferred a step-by-step program and that he would be inclined to let the supplemental requirements lapse without additional reduction at this time, taking action to release more reserves later if needed.

Mr. Vardaman said that he had favored a reduction in reserve requirements more than a month ago and again two or three weeks ago, but since action had not been taken at that time and in view of the policy adopted by the Federal Open Market Committee at its meeting on June 28, which had already been reflected in a strong market, he felt that any further action to ease conditions should wait until the full impact of the Open Market Committee's action and the release of the $800 million of supplemental reserves was apparent.

Mr. Clayton said he was strongly in favor of waiting to observe developments in the market before making an additional reduction in reserve requirements. He said that he felt the action of the Open Market Committee and the release of reserves because of lapse of the supplemental authority would have a strong influence on the market, that increasing the availability of credit involved a change in attitude on the part of banks, and that "flooding" them with excess reserves might not be necessary in order to bring about this change.

Mr. Eccles suggested that the Board issue a comprehensive statement which would make clear the place of credit policy in the existing economic situation.

In the ensuing discussion, it was suggested that no action be taken by the Board other than to amend Regulation D, Reserves of Member Banks, to bring it into agreement with the statutory requirements that would take effect June 30. Mr. Vest suggested that for convenience the elimination of the supplemental requirements at reserve and central reserve city banks be made effective at the beginning of business on Thursday, June 30, 1949, and at nonreserve city banks at the beginning of business on Friday, July 1, 1949, which were the days on which the regular reserve reporting periods of the respective groups of banks began.

Mr. Thurston suggested that a brief release be given to the press announcing the proposed changes in the supplement to Regulation D, and he also raised the question whether there should be combined with it an announcement of the termination of Regulation W, Consumer Instalment Credit. Mr. Leonard said he felt a statement that Regulation W had become inoperative should be issued and mailed by the Federal Reserve Banks to all registrants since many of them would expect some form of official announcement.

Thereupon, upon motion by Mr. Clayton, unanimous approval was given to an amendment to the supplement to Regulation D, Reserves of Member Banks, as follows, with the understanding that the amendment would be sent to all Federal Reserve Banks by telegram with a request that they furnish copies to all member banks:

"SUPPLEMENT TO REGULATION D

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

"Effective as to member banks not in reserve and central reserve cities at opening of business on July 1, 1949, and as to member banks in reserve and central reserve cities at opening of business on June 30, 1949.

"RESERVES REQUIRED TO BE
MAINTAINED BY MEMBER BANKS
WITH FEDERAL RESERVE BANKS

"Pursuant to the provisions of section 19 of the Federal Reserve Act and section 2(a) of its Regulation D, the Board of Governors of the Federal Reserve System hereby prescribes the following reserve balances which each member bank of the Federal Reserve System is required to maintain on deposit with the Federal Reserve Bank of its district:

6 percent of its time deposits plus --

14 per cent of its net demand deposits if not in a reserve or central reserve city;

20 percent of its net demand deposits if in a reserve city, except as to any bank located in an outlying district of a reserve city or in territory added to such city by the extension of the city's corporate limits, which, by the affirmative vote of five members of the Board of Governors of the Federal Reserve System, is permitted to maintain 14 percent reserves against its net demand deposits;

24 percent of its net demand deposits if located in a central reserve city, except as to any bank located in an outlying district of a central reserve city or in territory added to such city by the extension of the city's corporate limits, which, by the affirmative vote of five members of the Board of Governors of the Federal Reserve System is permitted to maintain 14 percent or 20 percent reserves against its net demand deposits."

The following statement for the Federal Register was also approved unanimously:

"This amendment is issued pursuant to the authority granted to the Board of Governors by section 19 of the Federal Reserve Act in the light of existing economic conditions and the present credit situation. The notice and public procedure described in section 4(a) and 4(b) of the Administrative Procedure Act, and the prior publication described in section 4(c) of such Act, are impracticable, unnecessary and contrary to the public interest in connection with this amendment for the reasons and good cause found as stated in section 262.2(e) of the Board's Rules of Procedure (Part 262), and especially because such notice, procedure and prior publication would prevent the "action from becoming effective as promptly as necessary, and would serve no useful purpose."

Unanimous approval was also given to a press release in the following form, with the understanding that it would be sent to the Presidents of all Federal Reserve Banks by telegram with the request that they notify all registrants under Regulation W that the Regulation was no longer in effect:

"The authority under which the Board of Governors of the Federal Reserve System issued Regulation W, establishing minimum down payments and maximum maturities for consumer instalment credit, expires June 30, 1949, and the regulation will not be effective after that date. Notice to this effect is being sent to those who, in accordance with the regulation's provisions, have filed registration statements with a Federal Reserve Bank.

"The temporary authority granted by Congress for increased reserves likewise expires June 30 and the Board has accordingly revised the supplement to Regulation D, under which the following reserve requirements will be effective with the beginning of the next reserve period (June 30 for central reserve city and reserve city member banks and July 1 for other member banks): Against net demand deposits - 24 percent for central reserve city member banks, 20 percent for reserve city member banks, and 14 percent for other member banks; against time deposits - 6 percent for member banks of all classes. The changed requirements will result in a reduction of approximately $800,000,000 in required reserves."

Mr. Horbett withdrew from the meeting at this time.

Chairman McCabe stated that Mr. Stevens, Chairman of the Federal Reserve Bank of New York, had informed him of a request by the directors of the Mutual Life Insurance Company of New York that he resume actively his services as a director of that company for a temporary period to assist in connection with acute administrative problems now confronting the company. Mr. Stevens stated, Chairman

McCabe said, that the assignment would not involve participation in the work of the finance committee or in matters dealing with purchases or sales of Government securities.

Following a brief discussion, it was agreed unanimously that Chairman McCabe should inform Mr. Stevens that the Board would not object to his resuming active participation as a director of the Mutual Life Insurance Company of New York, with the understanding that he would not serve on the finance committee or in any other capacity involving the investment of funds of the company in Government securities and that when the situation which gave rise to the temporary need for his services had been ended he would so inform the Board.

Mr. Eccles referred again to his suggestion that a statement on System credit policy be issued by the Board.

Chairman McCabe suggested that Mr. Eccles prepare a draft of the statement that he had in mind and send a copy to each member of the Board.

This suggestion was agreed to unanimously, with the understanding that if the statement were not released it could be placed in the minutes as a statement of the views of the members of the Board who might wish to join in it.

Secretary's Note: The statement prepared by Mr. Eccles was as follows and represented the views of Messrs. Eccles, Szymczak, Evans, and Clayton:

"As the Federal Reserve Board has repeatedly stated "beginning with its annual report for 1945 and in numerous appearances before Congressional committees, the Federal Reserve System was unable to perform effectively its traditional function during the period of post-war inflation because so long as it was necessary to support the Government bond market in accordance with a fixed pattern of rates, the System lacked adequate means of absorbing bank reserves and hence of effectively restraining over-expansion of bank credit.

"So long as demands for credit were intensified by inflationary pressures and banks, as well as other holders of marketable Government issues, found it profitable to shift from Government issues into private loans or investments or from short-term to longer-term Government bonds no effective monetary restraint could be exercised unless the System gradually or altogether withdrew as the residual buyer. This it could not do if the rate pattern was to be maintained. In effect, the banks were able to create reserves at will. Accordingly, the System ever since 1945 has pressed for adequate means of immobilizing bank reserves whether created by open market operations or otherwise.

"Except for a nominal, temporary authority granted by Congress in August 1948, which expired June 30, 1949, the System has had no means sufficient to bring about a restrictive situation in the money market. The System used such means as it could, including increased margin requirements, regulation of instalment credit, higher discount rates, and as much of an increase in short-term rates as the Open Market Committee was able to negotiate to exert restraint. This modest program could not, however, adequately restrain bank credit expansion. As a result of war financing, the money supply has been and still continues to be redundant, and money rates, especially short-term rates, have continued to be low.

"With the change in the economic situation, many of the banks of the country are experiencing a rapid credit contraction and in view of the deflationary developments, the Board has taken a series of steps since the first quarter of the year to ease credit conditions still further including a reduction in reserve requirements by which approximately 1.2 billion dollars of bank reserves was released to the market. The easing effects, however, of this action were offset by reason of the fact that in supporting the short-term rates, open market operations had the effect of absorbing the reserves which had been released.

"With the expiration of the supplemental authority on June 30, approximately $800,000,000 of additional reserves were automatically released. To the extent that open market operations would absorb these reserves, the easing effect in the money market would be nullified. With this situation in view and after consultation with the Treasury, the Open Market Committee decided at its meeting on June 28 to discontinue supporting a relatively fixed rate structure and thus permit the additional reserves to have some easing effect on the money market.

"For some months long-term Government securities have again been under such heavy buying pressure as to require no support operations. Instead, efforts have been directed toward reducing the upward pressure on prices and consequent lowering of yields by sales in the market of Federal Reserve holdings. In announcing the changed policy, the Federal Open Market Committee stated that, 'Under present conditions the maintenance of a relatively fixed pattern of rates has the undesirable effect of absorbing reserves from the market at a time when the availability of credit should be increased'. The Committee emphasized that this would not alter the policy of conducting transactions in the open market with a view also to orderly conditions and maintenance of public confidence in Government bonds. The net effect of this change in policy will be to permit the approximately $800 million of reserves (which will be automatically released by the expiration of the supplemental reserve authority on June 30) to take effect in the money market without being nullified by open market sales from the System account except to the extent necessary to maintain an orderly market in Government securities and to keep short-term rates within the range considered appropriate in the light of current monetary policy. The purpose of the change in policy is to bring about further relaxation in the money market in conformity with other actions in the direction of credit relaxation by the Reserve authorities. To the extent practicable, the market will have more freedom to determine prices and yields without intervention of the Federal Open Market Committee.

"Since we have had easy money conditions with relatively low rates all along in the money market it should not be supposed that still easier conditions with lower rates will completely correct or cure a deflationary trend, although they may encourage greater use of the existing money supply and put the banks in a position where they will have still "less reason to restrict credit. To the extent that the Reserve System becomes a reluctant seller of its holdings of Government securities banks may be more disposed to make productive loans to private borrowers or at least avoid putting pressure on good borrowers to pay off loans. Monetary policy, by itself, cannot make lenders lend or borrowers borrow; it cannot correct maladjustments within the economic structure which have arisen from non-monetary causes. It cannot by itself bring about the very necessary price and other readjustments within the economy.

"The consuming public, investors, and financing institutions of all kinds are in stronger financial position today than ever before. It is clear, therefore, that with the existence of this condition of underlying strength the only change in monetary and credit policy that needs to take place is in the emphasis and direction of Federal Reserve actions towards relaxation rather than restraint. If the System had been in a position during the inflationary period to exert adequate restraints, it would have more elbow room now to reverse policy when deflationary forces are setting in.

"The Federal Reserve authorities are constantly watchful not only as to current developments but also for signs of significant change; they have demonstrated their consciousness of the desirability of flexible administration of their powers, and they are prepared to take any further action within their means through reserve requirements, discount policy, open market operations, continued coordination of bank examination and credit policy, and otherwise as may seem advisable in order to aid in combatting adverse developments in the economic situation.

"It should be recognized, however, that the maintenance of an ample money supply and liberal credit policies cannot alone overcome deflationary developments without the constructive cooperation of industry, agriculture and labor as well as the Government."

At this point, Messrs. Riefler, Leonard, Vest and Young 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 July 28, 1949, were approved unanimously.

Memorandum dated June 27, 1949, from Mr. Young, Associate Director of the Division of Research and Statistics, recommending the appointment of Paul Gekker as an economist in that Division on a temporary indefinite basis, with basic salary at the rate of $3,727.20 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated June 27, 1949, from Mr. Sloan, Assistant 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, James Calvin Smith be appointed as an Assistant Federal Reserve Examiner, with salary at the rate of $2,974.80 per annum, and with official headquarters at Washington, D. C.

By unanimous vote, Mr. James Calvin Smith 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, and 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 $2,974.80 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.

Letter to Mr. McCormick, Federal Reserve Agent at the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in Mr. Leach's letter of June 24, 1949, the Board of Governors approves, effective July 1, 1949, the payment of salary to Mr. J. Gillette Turner, Alternate Assistant Federal Reserve Agent, at the rate of $3,360 per annum."

Approved unanimously.

Letter to Mr. Samuel B. Stewart, Jr., Transamerica Corporation, 300 Montgomery Street, San Francisco, California, reading as follows:

"Pursuant to the Board's order dated February 18, 1949, in the matter of Transamerica Corporation, we have sent to you today, under separate cover by registered mail, data in exhibit form corresponding to the Board's Exhibits Nos. 13 to 20, inclusive, and No. 257 covering each of the following banks and their predecessors, which were listed in your 'Demand for Production of Information' filed with the Board on February 15, 1949:

American Trust Company, San Francisco, California
The Citizens National Trust and Savings Bank of Riverside, Riverside, California
The Valley National Bank of Phoenix, Phoenix, Arizona
The United States National Bank of Portland, Portland, Oregon
The National Bank of Commerce of Seattle, Seattle, Washington
Seattle-First National Bank, Seattle, Washington

"Corresponding exhibits covering the two other banks listed in your 'Demand for Production of Information', namely, Security-First National Bank of Los Angeles, Los Angeles, California, and The Anglo California National Bank of San Francisco, San Francisco, California, are still in course of preparation. From present indications these exhibits probably will be completed within the next "two weeks, whereupon they will be sent to you."

Approved unanimously.

Letter to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of San Francisco, made as of April 15, 1949, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Earhart.

"Although the Board has been informed by Secretary Volberg that the report was presented to your Executive Committee, after review by your General Auditor, it is presumed that, in accordance with the usual practice, the report will be submitted to the Board of Directors for its consideration and information. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will be appreciated."

Approved unanimously.

Merritt Sherman
Assistant Secretary.

Approved:

Thomas B. McCabe
Chairman.