

Minutes of action taken by the Board of Governors of the Federal Reserve System on Thursday, July 21, 1949. The Board met in the Board Room at 3:00 p.m.

PRESENT: Mr. McCabe, Chairman  
Mr. Szymczak  
Mr. Clayton

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

There was a further informal discussion of System credit policy, including the question whether there should be a further reduction in member bank reserve requirements in connection with a reduction in the System's holdings of Treasury bills. No decisions were reached relating to matters within the jurisdiction of the Board. It was suggested, however, that the absent members of the Board be informed of this discussion so that they could be thinking about the problem of reserve requirements in the light of current developments.

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

Memorandum dated July 20, 1949, from Mr. Leonard, Di-

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rector of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective July 24, 1949:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
R. E. Sherfy	Senior Clerk	\$4,228.80	\$4,354.20
Margaret K. Ball	Clerk	3,601.80	3,727.20
Evelyn Bryan	Clerk	3,601.80	3,727.20
Esther G. Peck	Clerk	2,799.24	2,874.48

Approved unanimously.

Letter to Mr. Norris C. Bakke, Associate General Counsel, Federal Deposit Insurance Corporation, reading as follows:

"This refers to your letter of May 2, 1949, to Mr. Baumann, Assistant General Counsel for the Board, relating to the cancellation of Federal Reserve Bank stock held by a member bank which is placed in voluntary liquidation pursuant to a plan under which your Corporation acquires certain assets of the bank, including the right to the proceeds of its Federal Reserve Bank stock.

"Your letter contemplated a procedure under which the application for the cancellation of the Federal Reserve Bank stock in such a case would be made by your Corporation and the proceeds of the stock would be paid directly to your Corporation. In this connection, you requested our suggestions concerning a proposed form of application for cancellation of Federal Reserve Bank stock which you enclosed.

"Certain changes in the proposed application form have been discussed informally with Mr. Russell, of your staff, and we are enclosing a revised application form incorporating these changes. However, in discussing the matter, Mr. Russell suggested that it might be preferable from the standpoint of your Corporation for the application to be made by the liquidating agent or committee of a bank in the usual manner on the Board's Form 86, with the application being accompanied by a letter signed by the liquidating agent or committee directing the Federal Reserve Bank to pay the proceeds of the stock to your Corporation.

"It would appear that payment might be made by a Federal Reserve Bank directly to your Corporation under

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"either procedure, but that it would be desirable to have a uniform method of handling these cases. Accordingly, before the Board acts upon the matter and advises the Federal Reserve Banks with respect to it, we would appreciate advice as to which of these procedures your Corporation would prefer, and, if you still desire to have the applications made by your Corporation, whether the enclosed application form is satisfactory."

Approved unanimously.

Letter to Mr. Howard F. Gildea, Director, Moody's Investors Service, 65 Broadway, New York 6, New York, reading as follows:

"Reference is made to your letter of October 21, 1948, and the Board's reply of November 3, 1948, regarding the arrangement agreed upon by the various investment rating services and the Board of Governors with respect to the publication of 18-months' average prices.

"As you know, certain changes have been adopted recently in the bank examination and reporting procedure. The revision provides for the discontinuance of the practice of appraising Group 2 securities on the basis of the 18-months' average of market value. Under the bank examination procedure as revised July 15, 1949, such securities will be appraised at current market value.

"In the circumstances, the Board desires to terminate the arrangement made effective as of October 1, 1948, in accordance with the last paragraph of the Board's letter of November 3, 1948.

"The Board appreciates very much the spirit of cooperation manifested by the investment rating services in publishing the 18-months' average prices in accordance with the arrangement made last autumn."

Approved unanimously.

Letter to Mr. Emil Schram, President of the New York Stock Exchange, Eleven Wall Street, New York 5, New York, reading as follows:

"After giving careful consideration to the matter,

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"including the material submitted by your Exchange in that connection, the Board has amended Regulations T and U to remove margin requirements applicable to credit for financing the functions of specialists on an exchange designated by the Board. The New York Stock Exchange has been so designated, the designation to be effective until further notice. The Board will be glad to receive monthly summaries of the information which it is understood you will receive from specialists in this connection.

"Copies of the amendments, which become effective July 20, 1949, are enclosed, together with a copy of the Board's statement for the press on the subject.

"You will note that the amendment to Regulation T also contains a change in section 4(c)(3) relating to a question which had arisen under the regulation in connection with 'when distributed' securities."

Approved unanimously.

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

"Refer your wire July 18 regarding stock of Southern Company under Regulation T. Since Southern Company is a 'when distributed' security rather than an 'unissued' security, it may not be handled as an unissued security under section 3(h) of Regulation T. However, Amendment No. 10 to Regulation T changes section 4(c)(3) so that in case of 'when distributed' security 7-day period in cash account may run from date when security is distributed rather than date of sale."

Approved unanimously.

Letter to the Office of the Assessor, Sales and Use Tax Division, Government of the District of Columbia, 14th and E Streets, Northwest, Washington, D. C., reading as follows:

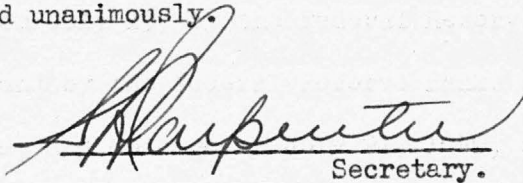
"This will refer to the District of Columbia Sales Tax Act and the requirement contained in section 146 thereof that persons engaging in the business of making retail sales subject to the tax obtain a certificate of registration.

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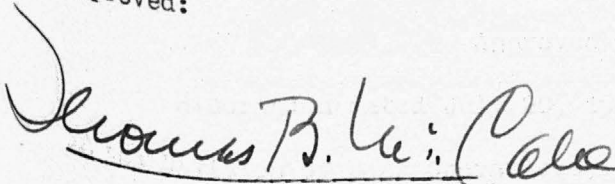
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"The Board of Governors of the Federal Reserve System is an independent establishment of the Government, and therefore, it is believed that the requirements of the Act are not applicable to the Board. However, in an informal discussion between representatives of the Board and representatives of your Office it was pointed out that the Board operates its own cafeteria and dining rooms for the convenience of its members, officers, and employees; and in those instances in which sales are made by the Board which otherwise would be subject to the tax, the Board plans to collect an amount equal to the tax and pay the same over to the Collector of Taxes as provided in the Act. It was suggested by representatives of your Office that we advise you of this situation since your form of application for certificate of registration is not designed to apply to a Government agency."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.