Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 2, 1949.

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

Mr. Carpenter, Secretary
Mr. Hammon, Assistant Secretary
Mr. Morrill, Special Adviser

Memorandum dated July 27, 1949, 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, effective August 7, 1949:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nancy J. Smith</td>
<td>Clerk-Stenographer</td>
<td>From $2,724.00</td>
</tr>
<tr>
<td>Eileen K. Jacobus</td>
<td>Clerk-Typist</td>
<td>To $2,799.24</td>
</tr>
</tbody>
</table>

Approved unanimously.

Memorandum dated August 2, 1949, from Mr. Millard, Director of the Division of Examinations, recommending increases in the basic annual salaries of the following employees in that Division, effective August 7, 1949:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. N. Thompson</td>
<td>Federal Reserve Examiner</td>
<td>From $7,432.20</td>
</tr>
<tr>
<td>George E. Good</td>
<td>Federal Reserve Examiner</td>
<td>To $7,671.60</td>
</tr>
<tr>
<td>Malcom F. Johnson</td>
<td>Assistant Federal Reserve Examiner</td>
<td>$6,474.60 6,714.00</td>
</tr>
<tr>
<td>Anne M. Temple</td>
<td>Clerk</td>
<td>From $2,724.00</td>
</tr>
</tbody>
</table>

Approved unanimously.

Memorandum dated August 1, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the
resignation of Miss Lulu A. Sinclair, cafeteria helper in that Division, be accepted to be effective, in accordance with her request, at the close of business July 28, 1949.

Approved unanimously.

Letter to Mr. Erickson, President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the recommendation in your letter of May 19, 1949, the Board of Governors is making no change at this time in the classification of member banks in your District for the purpose of electing Class A and Class B directors. It is noted in this connection that you expect to have this matter reviewed again at the beginning of next year. The Board would appreciate being advised of the results of this review and of any recommendations for changes in classification that you may then deem desirable."

Approved unanimously.

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

"In accordance with the recommendation in your letter of July 8, 1949, the Board of Governors has changed the classification of member banks in your District for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus of over $999,000, Group 2 of banks with capital and surplus of more than $300,000 but not exceeding $999,000, and Group 3 of banks with capital and surplus of $300,000 or less."

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:
"In accordance with the recommendation in your letter of June 21, 1949, the Board of Governors has changed the classification of member banks in your district for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus of $2,000,000 or more, Group 2 of banks with capital and surplus of more than $300,000 and less than $2,000,000, and Group 3 of banks with capital and surplus of $300,000 or less."

Approved unanimously.

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

"In accordance with the recommendation in your letters of May 6 and July 26, 1949, the Board of Governors has changed the classification of member banks in your district for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus in excess of $1,000,000, Group 2 of banks with capital and surplus of $250,000 and not exceeding $1,000,000, and Group 3 of banks with capital and surplus of less than $250,000."

Approved unanimously.

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

"In accordance with the recommendation in your letter of May 20, 1949, the Board of Governors is making no change at this time in the classification of member banks in your district for the purpose of electing Class A and Class B directors. It is noted in this connection that you anticipate a probable need for reclassification prior to the 1950 election."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:
"In accordance with the recommendation in your letter of May 25, 1949, the Board of Governors has changed the classification of member banks in your district for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus of over $500,000, Group 2 of banks with capital and surplus of over $155,000 but not over $500,000, and Group 3 of banks with capital and surplus of $155,000 and less."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Your letter of April 27, 1949, with respect to the classification of member banks for the purpose of electing Class A and B directors raises the question whether it might be desirable to postpone any increase in the lower limit of Group 1 until after the November election in 1949 to avoid criticism from any member bank which might otherwise say that it had been denied the privilege of voting this year. This question has had the careful consideration of the Board as it is one that is applicable in all Federal Reserve districts. Any reclassification is bound to defer or accelerate the voting of banks when they are moved from one group to another. Herebefore all changes in the classifications of banks have been currently effective and so far as the Board is aware no objection has been raised to this procedure.

Accordingly, the Board of Governors has changed, effective immediately, the classification of member banks in your district for the purpose of electing Class A and B directors to conform to the suggestion in your letter so that Group 1 will consist of banks with capital and surplus of $400,000 and over, Group 2 of banks with capital and surplus of $150,000 through $399,999, and Group 3 of banks with capital and surplus of $149,999 and less."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:
"In accordance with the recommendation in your letters of March 12 and April 27, 1949, the Board of Governors has changed the classification of member banks in your district for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus of over $600,000, Group 2 of banks with capital and surplus of over $125,000 but not more than $600,000, and Group 3 of banks with capital and surplus of $125,000 and less."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"In accordance with the recommendation in your letter of June 11, 1949, the Board of Governors has changed the classification of member banks in your district for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus of $600,000 and over, Group 2 of banks with capital and surplus of over $150,000 and less than $600,000, and Group 3 of banks with capital and surplus of $150,000 and less."

Approved unanimously.

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

"In accordance with the recommendation in your letter of May 18, 1949, the Board of Governors has changed the classification of member banks in your district for the purpose of electing Class A and Class B directors so that Group 1 will consist of banks with capital and surplus of $2,000,000 or over, Group 2 of banks with capital and surplus of over $250,000 and less than $2,000,000, and Group 3 of banks with capital and surplus of $250,000 or less."

Approved unanimously.
Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your request for the Board's comments on the enrolled bill S. 1184 to encourage construction of rental housing on or in areas adjacent to Army, Navy, Marine Corps and Air Force installations, and for other purposes.

In a letter to you dated April 21, 1949, the Board expressed its views concerning the draft of the bill S. 1184. Although such draft of bill has been amended in several respects the amendments are not of such a character as would change the Board's views regarding the bill as expressed in its letter of April 21, 1949, and after further consideration of the matter in connection with the bill, the Board feels that it has nothing to add to its earlier letter."

Approved unanimously.

Letter to Mr. D. Emmert Brumbaugh, Secretary of Banking, Commonwealth of Pennsylvania, Department of Banking, Harrisburg, Pennsylvania, reading as follows:

"This will acknowledge receipt of your letter of July 27, in which you state that a careful study of the Bank Holding Company Bill is being made in your office and by the Legislative Committee of the National Association of Supervisors of State Banks, and that when these studies are completed you will appreciate a conference with the Federal Reserve. I am sure that representatives of the Board will be glad to meet with you at some mutually convenient time after you have finished your study of the bill."

Approved unanimously.

Letter to Mr. U. E. Baughman, Chief, U. S. Secret Service, Treasury Department, reading as follows:
"Reference is made to your letter of July 12, 1949, suggesting that the Board assume the cost of printing and addressing counterfeit warning cards. It is understood that you have in mind continuing the existing arrangement which began in 1941 whereby such cards are printed, addressed and placed in mail sacks by the Duplicating and Mail Section of the Board's Division of Administrative Services, with the exception that in future the Division will not bill you for the cost of labor and material involved and you will not be expected to furnish the necessary paper stock. It is also understood that the Secret Service will continue to control the distribution of the cards, that the cards will continue to be mailed under your frank and that you will furnish suitable envelopes for this purpose when necessary. It is likewise understood that the arrangement would be subject to discontinuance by the Board at any time.

"The Board is agreeable to undertaking this work at its own expense until further notice on the basis outlined above with the understanding now in effect that counterfeit warning cards will be printed as rapidly as regularly scheduled work for the Board will permit, that no deadlines will be set by the Secret Service and that, so far as possible, requests for the printing of such cards, together with the necessary information, will be furnished by the Secret Service throughout the year rather than allowing a number of cards to accumulate for printing at one time. On the basis of the work load in the duplicating section in recent years it would be possible to print and distribute fifty cards a year with a total run of one million without imposing an undue burden on existing staff and equipment.

"The Board is glad to continue its cooperation with the Secret Service in printing and distributing counterfeit warning notices because of the interest of the Federal Reserve System in assisting you in every way in the suppression of counterfeiting and in rendering a service to banks throughout the country."

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner at the Federal Reserve Bank of New York, reading as follows:
"This refers to your letter of June 22, 1949, and enclosures, submitting information for the year 1948 with respect to the underwriting business engaged in by Shearson, Hammill & Co.; Stillman, Maynard & Co.; and A. M. Kidder & Co.

"The Board has considered this matter and you are advised that it does not appear that these firms are primarily engaged in the business described in section 32 of the Banking Act of 1933 at this time. We understand that your bank makes a review at the end of each year of all outstanding relationships under section 32, and especially in view of the growth in the underwriting and distributing business of two of these firms it is assumed that you will keep the Board advised of any further growth or other important changes in the underwriting business conducted by the above named firms."

Approved unanimously.

Approved:

[signature]

Chairman.