

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 19, 1949.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Draper
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board

Telegram to Mr. Clarke, Assistant Secretary of the Federal Reserve Bank of New York, reading as follows:

Retel August 18, Board approves effective immediately rate of not less than $1\frac{3}{8}$ percent in connection with purchases of government securities under resale agreement as authorized by the Federal Open Market Committee, August 5, 1949. Otherwise Board approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated August 18, 1949."

Approved unanimously.

Telegrams to the Federal Reserve Banks of Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 16, by the Federal Reserve Banks of Philadelphia, Atlanta, and Chicago on August 18, and by the Federal Reserve Bank of St. Louis on August 19, 1949, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks,

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reading as follows:

"There have been forwarded to you today under separate cover the indicated number of copies of the following forms, a copy of each of which is attached, for use of State member banks and their affiliates in submitting reports as of the next call date:

Number of
copies

Form F. R. 105 (Call No. 113), Report of condition of State member banks.

Form F. R. 105b (Revised August 1939), Loans and advances to affiliates and investments in and loans secured by obligations of affiliates.

Form F. R. 105e (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 105e-1 (Revised May 1948), Publisher's copy of report of condition of State member banks.

Form F. R. 220 (Revised August 1946), Report of affiliate or holding company affiliate.

Form F. R. 220a (Revised August 1946), Publisher's copy of report of affiliate or holding company affiliate.

Form F. R. 220b (Revised August 1946), Instructions for the preparation of reports of affiliates and holding company affiliates.

"All of the forms are the same as those used on June 30, 1949, except for the omission of Schedules A and B from Form F. R. 105 in accordance with the established policy to collect such data only on the June and December call dates.

"It is suggested that the distribution of these forms to State member banks not be made until telegraphic advice is received from the Board. Such advice will be sent to you about the time the Comptroller's Office begins distribution of blank forms to national banks."

Approved unanimously, with the understanding that the letter would be sent when the forms referred to therein were printed and ready for distribution.

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Memorandum dated August 16, 1949, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Paul Severt Anderson as an economist in that Division, with basic salary at the rate of \$4,479.60 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 August 19, 1949, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective August 21, 1949:

Name	Title	Salary Increase	
		From	To
Frances A. Burton	File Clerk	\$2,423.04	\$2,498.28
Marjorie Kidd	File Clerk	2,350.00	2,423.04
Mabel E. Wike	File Clerk	2,284.00	2,350.00
Helen E. Cook	File Clerk	2,874.48	2,949.72
Jeanette E. Devlin	File Clerk	2,648.76	2,724.00
Pearl E. Farrington	File Clerk	2,724.00	2,799.24
Frances K. Allred	File Clerk	2,949.72	3,024.96
Loretta D. Beale	File Clerk	3,024.96	3,100.20
Margaret J. Molster	File Clerk	2,724.00	2,799.24

Approved unanimously.

Memorandum dated August 19, 1949, from Mr. Carpenter, Secretary of the Board, recommending increases in the basic annual salaries of the following employees in the Office of the Secretary, effective August 21, 1949:

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<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Mildred E. Pilger	Supervisor	\$2,974.80	\$3,351.00
Cornelia A. Bates	File Clerk	2,874.48	3,024.96

Approved unanimously.

Memorandum dated August 19, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending an increase in the basic salary of Mrs. Maria Jo Peterson, a clerk-typist in that Division, from \$2,284 to \$2,350 per annum, effective August 21, 1949.

Approved unanimously.

Memorandum dated July 14, 1949, from the Personnel Committee, recommending that the following memoranda to employees and division heads with respect to the use of annual leave be approved for distribution:

To Division Heads

"The Board has considered the recommendation of the senior staff with respect to the use by employees of annual leave, and there are attached copies of a memorandum to be distributed to all employees in your division.

"It is requested that you work out plans to carry out the Board's views with respect to the use of annual leave. The Division of Personnel Administration will submit to the Personnel Committee at the end of the year a statement showing the extent to which current and accumulated annual leave has been used by employees."

To All Employees

"In a recent review of the Board's policy with respect to the granting of leave to employees, attention

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"was called to the number of cases in which employees have accumulated a considerable amount of annual leave. Most of this accumulation occurred during the war years when conditions did not permit the normal use of leave. However, during the three years since the war, a number of employees have not only failed to use their accumulated annual leave but have not made full use of current annual leave.

"It is the Board's view that in the interest of the health and efficiency of the staff the work of each division should be arranged so that, in the absence of emergencies, all members of the staff with sufficient earned leave can take a full month each year as vacation. It is expected that the balance of current annual leave will be used for other purposes so that, as a general rule, no substantial amount of annual leave will be accumulated. Moreover, annual leave accumulated in prior years should be utilized for vacation purposes as promptly as the work of the Board will permit. While the Board realizes that at times circumstances may not permit a full vacation each year, it urges that every effort be made by all members of the staff to use all annual leave for vacations to the maximum extent possible, having in mind, of course, the need of keeping the work of the Board current.

"The Board has asked the various division heads to work out a program which will carry out the above policy with respect to the use of annual leave."

Approved unanimously.

Letter to the Honorable Charles W. Tobey, United States Senate, prepared in accordance with action taken at the meeting of the Board on August 12, 1949, reading as follows:

"This is in reply to your letter of August 10 addressed to Chairman McCabe, who is out of the city, and transmitting to the Board the views of Mr. Norman Littell with respect to the extension of the loan of Mr. John Exter's services to the Government of Ceylon.

"The Board is aware of the value of the services which

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"Mr. Exter has provided to the Government of Ceylon in advising on the establishment of a central bank for that country and is anxious that the Federal Reserve System provide such assistance as it can to the Ceylonese Government. This is a matter which has been the subject of discussion between the Board and the State Department. In the course of the discussion, the Board has proposed to the Department for transmission to the Ceylonese Government an arrangement which we believe would enable the Federal Reserve System to provide appropriate assistance to that Government.

"In view of your interest in this matter, the Board is glad to respond to your inquiry."

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Receipt is acknowledged of your letter of August 15 advising that your Bank has entered into a contract with William York Cocken, Architect, Pittsburgh, Pennsylvania, for preparation of preliminary plans and estimates for a proposed addition to the Pittsburgh branch building.

"The Board will wait with interest the more definitive data which you will send down as it is developed."

Approved unanimously.

Letter to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Referring to your letter of August 12, 1949, and enclosure, the Board of Governors approves payment to your counsel, Squire, Sanders & Dempsey of a bill totaling \$3,556.10, dated August 10, 1949, for special services and for cash disbursements in connection with the acquisition of certain property adjoining the Pittsburgh Branch building. It is noted that the board of directors of your Bank has authorized payment of such bill subject to the approval of the Board of Governors."

Approved unanimously.

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Letter to Mr. Phelan, Vice President of the Federal Reserve
Bank of New York, reading as follows:

"This refers to your letter of August 4, 1949, and its enclosures, requesting the Board's view as to the continued application, if any, of Regulation W to extensions of instalment credit effected prior to the expiration of the regulation on June 30, 1949. According to the copy of the letter of July 6, 1949, to your Bank from the law firm of Cadwalader, Wickersham and Taft which was among such enclosures, this question appears to concern particularly the responsibilities which may rest upon a financing institution which now purchases or discounts nonconforming instalment paper which originated prior to the expiration of the regulation.

"The Board's view is that, because of the previous expiration of the regulation, the acquisition by a discounting or purchasing institution of such paper after June 30, 1949, would not constitute a regulated transaction and would be in no way affected by any of the provisions or requirements of the regulation. In such a case, the original creditor - but not the discounting or purchasing institution - would have violated the regulation; and it appears that the only legal consequence that might flow from such violation would be a criminal proceeding by virtue of section 109, Title 1, U. S. Code relating to the preservation of legal liabilities incurred under a law since expired. While the circumstances would now seem to make unlikely the institution of such a criminal proceeding, in the final analysis the question of whether or not to so proceed would be a question for the Department of Justice. The foregoing would appear to conform with your views.

"In the next to the last paragraph of the letter from Cadwalader, Wickersham and Taft, they assume that it is now unnecessary to keep and maintain records of transactions which were required under the regulation. This position conforms with the view previously expressed by the Board to another Federal Reserve Bank, although it would seem inadvisable to circularize registrants generally to such effect."

Approved unanimously.

Telegram to Mr. Knoke, Vice President of the Federal Reserve

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Bank of New York, reading as follows:

"Your wire August 18. Board approves increase in total amount of loans on gold to be extended by your Bank to Banque Centrale de la Republique de Turquie from \$20,000,000 to \$30,000,000 on the same terms and conditions as apply to the existing arrangement as set forth in our wire to you of June 3.

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

Approved unanimously.

Letter to the Honorable Brien McMahon, United States Senate, reading as follows:

"This is in response to your letter of August 11, 1949, addressed to Chairman McCabe, regarding the procedure and requirements for setting up the State of Connecticut as a separate Federal Reserve District.

"Under the law there is no authority for the establishment of new Federal Reserve Districts in addition to those now existing. When the Federal Reserve Act was enacted in 1913 Congress authorized a 'Reserve Bank Organization Committee' to designate not less than eight nor more than twelve Federal Reserve cities and to divide the country into Federal Reserve Districts, each district to contain only one of such Federal Reserve cities. The law also provided that the districts thus created might be readjusted and new districts created from time to time by the Federal Reserve Board, 'not to exceed twelve in all'. However, the Organization Committee elected to designate and establish the maximum number of Federal Reserve cities and districts authorized by the statute. Consequently, since twelve Federal Reserve Districts have been established, the Board is without authority to provide for the creation of additional districts. As you know, the State of Connecticut is located partially in the First District and partially in the Second District.

"It may be mentioned that under its authority to 'readjust' the existing Federal Reserve Districts, the Board has from time to time changed the boundary lines between the districts. No set procedure has been established in connection with such changes in boundaries; generally member banks

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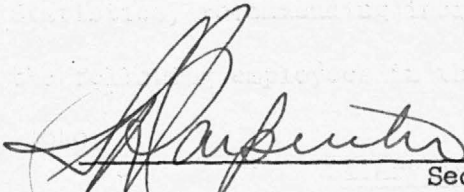
"which have sought transfer from one district to another have submitted a petition to the Board of Governors setting forth the reasons why the suggested change in district lines was deemed desirable. In acting on any such petition, the Board would of course consider all relevant factors and would have in mind the provision of the Federal Reserve Act that the districts 'shall be apportioned with due regard to the convenience and customary course of business and shall not necessarily be coterminous with any State or States.'

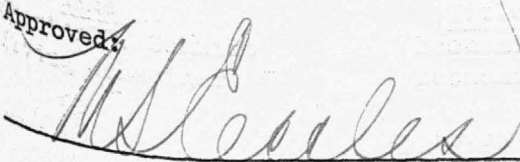
"If you should have any further questions in connection with this matter, we shall be very glad to advise you."

Approved unanimously.

Memorandum dated July 21, 1949, from the Personnel Committee, recommending the approval of the budget of the Board of Governors for the year 1949 which was given tentative approval on December 31, 1948.

Approved unanimously.


Secretary.

Approved:

Chairman pro tem.