

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

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Draper

Mr. Sherman, Assistant Secretary

Telegram to Mr. McCreedy, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Retel September 1, Board approves effective September 6, 1949, minimum rate of 1-3/8 percent per annum on purchases of Government securities under resale agreement as authorized by the Federal Open Market Committee August 5, 1949. Otherwise the 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 September 1, 1949."

Approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Atlanta, Chicago, St. Louis, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on August 31, and by the Federal Reserve Banks of New York, Atlanta, Chicago, and Kansas City on September 1, 1949, of the rates of discount and purchase of their existing schedules.

Approved unanimously.

Memorandum dated August 26, 1949, from Mr. Sherman, Assistant Secretary of the Board, recommending that the appointment of William R. Corkhum, a minutes clerk in the Office of the Secretary, be extended

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on a permanent basis, effective September 2, 1949, with no change in his present basic salary at the rate of \$3100.20 per annum.

Approved unanimously.

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

"Reference is made to your letter of August 23, 1949, requesting approval of the payment of vacation leave in the event of death of an employee while in the service of the Bank.

"The Board's letter of August 4, 1938 (S-108) provides that the salary of an officer or employee dying while in the service of a Federal Reserve Bank should be paid only to and including the day of his death. As indicated in that letter, special provision has been made by the Banks, through the Retirement System, whereby the beneficiaries of an employee dying in active service are paid up to one year's salary, and it would appear to be a duplication to make additional payments for vacation leave.

"The Board feels that the policy as expressed in its letter of August 4, 1938, should not be changed and, therefore, disapproves the payment for vacation leave in the event of the death of an employee while in the service of the Bank."

Approved unanimously.

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

"This refers to your letter of August 17, 1949, relating to the indirect investment in bank premises by The Ohio Merchants Trust Company, Massillon, Ohio, through the purchase of additional certificates of equitable ownership in the Ohio-Merchants Building.

"As the proposed investment in bank premises would not exceed the amount of the capital stock of the member bank and the bank is no longer subject to a condition of membership requiring the Board's approval of investments in bank premises, the Board's permission is not necessary in this instance. However, from the limited facts available, the Board still has reservations as to the propriety of investments in

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"these certificates of equitable ownership in the bank building.

"It is noted that counsel for the bank has expressed the opinion that under the trust instrument the bank may buy these units in its individual capacity, but he does not appear to have rendered a general opinion as to the contingent liability under Ohio law of the bank as trustee in purchasing trust assets. Of course, this is a responsibility which rests primarily with the management of the bank and it is assumed that proper steps will be taken for the bank's protection."

Approved unanimously.

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

"The Board has received a letter dated August 29, 1949, from Vice President Harris advising that, in accordance with recommendations of the architects and engineers for the Detroit branch building, two changes have been made in the award of contracts, as originally recommended by your Directors and authorized in the Board's telegram of August 5, 1949.

"It is noted that the elevator contract has been awarded to the Otis Elevator Company instead of the Houghton Elevator Company, and that the contract for the vault door has been awarded to the Diebold Safe Company instead of the Herring-Hall-Marvin Safe Company but that the balance of the vault equipment is to be furnished by the latter company."

Approved unanimously.

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

"Reference is made to your letter of August 25, 1949, submitting the request of the 'Hempstead Bank', Hempstead, New York, for permission to establish a branch at Levittown, New York.

"It is noted approval of the appropriate State

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"authorities has been obtained and in view of your recommendation, the Board of Governors approves the establishment and operation of a branch in the Village of Levittown, New York, by the 'Hempstead Bank', Hempstead, New York, provided such branch is established within six months from the date of this letter. It is understood counsel for the Reserve Bank has reviewed and is satisfied as to the legality of all steps taken to establish the branch."

Approved unanimously.

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

"The Board is in receipt of organization papers for the establishment of a corporation under section 25(a) of the Federal Reserve Act to be known as 'Bank of America'. By way of background for your information, there are enclosed copies of letters dated May 16, and August 12, 1949, to Bank of America National Trust and Savings Association, and a copy of a letter to the Federal Reserve Bank of San Francisco dated August 30, 1949.

"The organization papers state that the home office of the corporation is to be located at 44 Wall Street, New York, New York. In the event the Board approves the organization of such corporation, Bank of America National Trust and Savings Association expects to invest the sum of \$2,000,000 in the capital stock of such corporation thereby subscribing to all of the stock of the corporation; the persons organizing such corporation are Russell G. Smith, S. C. Beise, Tom B. Coughran, R. P. A. Everard, all officers of Bank of America N. T. and S. A., and Kenneth M. Johnson, an attorney at law, San Francisco, California; and in all likelihood the corporation will wish to obtain the Board's permission to operate branches in Germany.

"Inasmuch as it is proposed that the home office of such corporation will be located in New York, the Board will appreciate receiving any comments you may wish to offer concerning the creation of the proposed corporation. If you care to make any comments in this matter, we hope you will let us have them as soon as practicable."



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Approved unanimously.

*Ernest S. Lehman*  
Assistant Secretary.

Approved:

*W.S. [Signature]*  
Chairman pro tem.