Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, September 12, 1949.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 9, 1949, were approved unanimously.

Memorandum dated September 8, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending that E. Ralph Massey, an Assistant Federal Reserve Examiner in the Division of Examinations, be assigned temporarily to the Division of Bank Operations to assist until the end of the year in work on Federal Reserve Bank budget and related matters, with the understanding that he will remain on the pay roll of the Division of Examinations during the period of the temporary assignment.

Approved unanimously.

Memorandum dated September 6, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of Carl J. Nickens, a laborer in that Division, from $2,086 to $2,152 per annum, effective September 18, 1949.
9/12/49

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Approved unanimously.

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

"Retel September 9. Board approves designation of the following employees of your bank as special assistant examiners: Warren Franklin Waugh, William Lane Evans."

Approved unanimously.

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

"In view of the recommendation contained in your letter of September 6, 1949, the Board of Governors extends to October 10, 1949, the time within which "The First State Bank of Gilby", Gilby, North Dakota, may accomplish membership."

Approved unanimously.

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

"In accordance with the recommendation contained in your letter of September 3, 1949, the Board of Governors approves the proposed expenditure of approximately $204,500 by the First State Bank, Odessa, Texas, for the purpose of acquiring land and erecting a building thereon for its occupancy, with the understanding that the investment is to be carried on the books of the bank at an amount not to exceed $175,000 and that depreciation is to be accelerated to 5 per cent per annum until the carrying value is reduced within statutory limitations.

"It is also understood that the capital of the bank is to be increased $137,500 through the sale of 500 additional shares of common stock ($100 par) for cash and that permission of the State Commissioner of Banking has been obtained for the proposed expenditure."
Approved unanimously.

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

"Reference is made to your letter of September 1, 1949, and to the enclosures of copies of correspondence exchanged with President Keeland of Heights State Bank, Houston, Texas, regarding the capital position of the bank.

"The Board has observed from President Keeland's letter of August 17 that the matter of providing an increase in capital funds has been receiving the attention of the bank's directors but that they do not feel the immediate present is the most propitious time to provide additional capital funds.

"In your letter of February 16, 1945, to the bank, written over four years ago, you pointed out that the capital funds of the bank had not grown in proportion to the rapid increase in deposits. You also referred to the provisions of condition of membership numbered 2 whereby the bank agreed to maintain an adequate amount of capital and recommended that the directors take steps to improve the capital position. It is noted that in connection with the examinations made in 1946, 1947, 1948 and 1949 you also urged the bank to increase its capital accounts. Since your letter of February 16, 1945, was written the increase in capital funds of the bank in relation to its greatly expanded volume of deposits and credit extensions has continued to lag substantially.

"The Board shares your disappointment that Mr. Keeland's letter to you did not include some expression regarding a goal with respect to the amount and date of a proposed increase in the capital funds of the bank. It is hoped, as you have suggested to President Keeland, that there will be presented at the annual stockholders' meeting in early 1950 a definite program for a satisfactory increase in capital funds.

"Please inform the Board as to any definite action proposed to effect a more satisfactory relation of the bank's capital funds to the character and condition of its assets and its deposit liabilities and other corporate responsibilities, together with your views as to the adequacy of such proposed action. In the absence of defi-
"nite action or if the proposed action is considered inadequate, the Board will be glad to receive any recommendations you may feel to be appropriate in view of all the circumstances."

Approved unanimously.

Memorandum dated September 8, 1949, from Mr. Bethea, Director of the Division of Administrative Services, submitting for approval a voucher of Mr. Townsend, Solicitor, covering expenses incurred in the discharge of official duty in connection with the Clayton Act proceeding against Transamerica Corporation.

Approved unanimously.

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

"Reference is made to your letter of September 2, 1949, in which you advised that it appears expenses for 1949 at your Bank will exceed the budget estimates for the year as follows:

| Fiscal Agency, Commodity Credit Corporation (head office) | $101,269 |
| Securities (New Orleans Branch) | 3,000 |
| Consumer Credit | |
| Birmingham Branch | 2,519 |
| Jacksonville Branch | 2,611 |
| Nashville Branch | 1,899 |
| New Orleans Branch | 3,100 |

"The Board accepts the revised figures as submitted, and appropriate notations are being made in the Board's records.

"It is noted that estimates of amounts by which expenses of the Postage and Expressage function will exceed the budget of your Bank and its Branches will be furnished at a later date."

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

"Reference is made to your letter of August 29, 1949, in which you advised that it appears expenses for 1949 at your Bank will exceed the budget estimates for the year as follows:

- Provision of Space $20,000
- Furniture and Equipment $15,000

"The Board accepts the revised figures as submitted, and appropriate notations are being made in the Board's records."

Approved unanimously.

Secretary.

Approved:

[Signature]
Chairman.