Minutes of actions taken by the Board of Governors of the
Federal Reserve System on Monday, October 10, 1949. The Board met
in the Board Room at 4:00 P.M.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Thomas, Economic Adviser
Mr. Nelson, Director, Division of Personnel Administration
Mr. Young, Director, Division of Research
and Statistics
Mr. Horbett, Assistant Director, Division
of Bank Operations
Mr. Solomon, Assistant General Counsel

Reference was made to the discussion at the meeting on Fri-
day, October 7, 1949, of the telegram received from Mr. Sproul,
President of the Federal Reserve Bank of New York, with respect to
a reduction of discount rates of that Bank and to the response sent
to Mr. Sproul stating that the Board was not prepared at this time
to approve the reduced rates fixed by the directors of the New York
Bank at a meeting on October 6, 1949.

In response to a question from Chairman McCabe, Messrs.
Eccles and Clayton stated that they had not changed their views from
those expressed at the meetings on September 19, 20, and 21, 1949,
when they felt a reduction in discount rates would not be appropriate
because there was evidence of an expanding tendency in economic conditions. Mr. Eccles added that any effects of a deflationary nature which might have been expected from the recent devaluation of foreign currencies had been overcome by the recent announcement of the development of an atomic bomb by Russia which assured that large military expenditures by the United States Government would be continued. He also said that instead of making a reduction in the discount rate, if the present expansionary tendencies continued between now and December 15, 1949, when refunding of about $6 billion by the Treasury would be necessary, it might be desirable to eliminate the spread between the discount rate and the rate on certificates so that short-term rates would move upward and Treasury refunding would be done on a basis of a 1-1/4 percent certificate rate instead of a 1-1/8 percent rate.

Mr. Carpenter stated that before Mr. Szymczak left for Pittsburgh this morning to attend a joint directors' meeting of the Cleveland Bank he expressed the view that he still felt a reduction in discount rates would be appropriate largely on the basis of the uncertainties that had been added to the general picture as a result of strikes in industry.

Chairman McCabe then called upon Mr. Thomas who stated that two or three weeks ago he felt a reduction in discount rates as then proposed by the New York Bank would be an appropriate action in
view of the possibility of a reaction from the devaluation of foreign currencies but that as it had developed there had been little or no reaction from the devaluation which indicated that the underlying situation was very strong. He also said that the current situation was not one which needed the stimulation of a lower discount rate and that it seemed to him the System should wait to see whether there was going to be a longer-run deflationary development which would call for a reduction in the rate.

Mr. Young stated that many indicators of domestic economic activity suggested that the revival since summer had a great deal of strength behind it, that the only area of uncertainty appeared to be in the prospects for capital expenditures for plant and equipment which were, nevertheless, at a very high level, that the program for reduction of tariffs by numerous countries announced today would, in the long run, be a stimulating factor, and that, in his opinion, inflationary pressures were more predominant today than were deflationary factors.

Chairman McCabe suggested that in view of the telegram sent to Mr. Sproul on October 7, 1949, informing him that the Board was not prepared at this time to approve a reduction in discount rates, no further formal communication be addressed to him in response to his telegram of October 6 but that the Secretary call him on the telephone and inform him of the views of the Board.
Chairman McCabe's suggestion was approved unanimously.

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Nelson dated October 4, 1949, recommending that in response to a letter from Mr. Young, President of the Federal Reserve Bank of Chicago, dated September 29, 1949, the Board inform him that it would approve the payment of a separation allowance of $10,000 to Mr. Charles B. Dunn, First Vice President of the Chicago Bank, effective as of the date of his resignation on November 1, 1949, but that it was unwilling to approve for Mr. Dunn an additional five-year service credit under the Retirement System since Mr. Dunn was not designated Counsel for the Bank prior to January 1, 1934, but represented the firm of attorneys which was designated as Counsel. The memorandum also reviewed other instances in which service credit had been allowed Reserve Bank Counsel who subsequently became bank officers and stated how the relationship with Mr. Dunn differed from that in the cases in which service credits had been allowed. The memorandum was accompanied by a draft of proposed letter along the foregoing lines.

Mr. Morrill stated that when he was in Chicago last Wednesday, Mr. Young discussed this matter with him and expressed a strong feeling that the additional service credit should be allowed Mr. Dunn who was, in reality, leaving the Bank because he felt he was not wanted there and because the retirement allowance which he
would obtain would be relatively small in view of his short period of service.

Chairman McCabe stated that he did not feel that additional service credit should be allowed in cases such as that of Mr. Dunn and that if it was not felt that a six-months' severance pay was adequate he would be willing to make the payment for a longer period of time.

Mr. Clayton agreed it was not desirable to allow additional service credit in the Retirement System in such cases but said that since Mr. Dunn's term as First Vice President would run until March 1, 1951, he felt it would be desirable to make a settlement which would assure that he carried through with his resignation rather than have him decide now to continue in office to the end of his term.

Mr. Carpenter stated that before Mr. Szymczak left for Pittsburgh this morning he said that he would favor the action proposed in the draft of letter to Mr. Young, but that he regarded the filling of the vacancy that would be created by Mr. Dunn's resignation of much more importance than the decision on the prior service allowance and that, if necessary, he would yield on the request for additional service credit in order to assure the prompt filling of the First Vice Presidency with a suitable individual who would be stationed at the head office.
Chairman McCabe suggested that the Chicago Bank be advised that the Board would not approve the five-year prior service credit for Mr. Dunn, but that the Board would approve a separation allowance equal to nine months' salary if the directors, on further consideration of the matter, felt that that was a desirable course to follow.

Upon motion by Mr. Clayton, unanimous approval was given to this suggestion with the understanding that Chairman McCabe would talk with Mr. Lunding before a letter was mailed.

There was then presented a memorandum from Chairman McCabe dated October 3, 1949, reading as follows:

"At a meeting held at the Board's offices on September 27, 1949, the executive committee of the Chairmen's Conference discussed the proposal, made at the Chairmen's Conference in May 1949, that a meeting of all directors of all Federal Reserve Banks and branches be held in Washington, perhaps during the Autumn of 1949. The executive committee expressed the feeling that such a meeting would have great value to the Federal Reserve System as a means of demonstrating to the directors the extent of Federal Reserve representation in the economic and social life of the country and enabling the directors to become personally acquainted with each other, and would be a significant step toward increasing the interest of directors in their understanding of the Federal Reserve System and making them available for participation in System affairs.

"The executive committee recognized that a great deal of work would be necessary to make such a meeting a success, but felt strongly that the results would amply justify the effort and expense that would be involved.

"During the discussion, it was suggested that before a meeting of all Reserve Bank directors was held, it would be desirable to have a 'pilot' conference of the directors of two or three Federal Reserve Banks and their branches,
and it was specifically suggested that a two-day meeting of the directors of the New York and Minneapolis Banks be arranged. In addition to the thirty directors of the head offices and branches of these banks, the two Presidents and two officers in charge of the branches would be asked to attend the meeting and, of course, the Chairmen of the ten other Federal Reserve Banks would be present. It was suggested that the first day and the morning of the second day be devoted to the conference of directors with a carefully arranged agenda of talks and discussion groups, and that the afternoon of the second day be reserved for a separate meeting of the Chairmen's Conference at which, in addition to other matters to be taken up by the Chairmen, there would be an opportunity to consider the success of the 'pilot' meeting and whether the Conference would wish to recommend that a meeting of all directors of all Reserve Banks and branches be held in, for example, the Autumn of 1950. This meeting would take the place of the fall Conference of Chairmen.

"Although Mr. Dearmont, Chairman of the Chairmen's Conference, was unable to attend the meeting of the executive committee, the proposal of a 'pilot' meeting was discussed with him by telephone by Mr. Wilbur, Vice Chairman of the Conference, and Mr. Dearmont joined heartily in the recommendation that such conference be held on January 12-13 (Thursday and Friday), 1950, or during the week beginning January 15, 1950. In making this recommendation, the executive committee indicated that it would like to have the Board consider their recommendation and if the proposal was approved, the committee would undertake to arrange the meeting as outlined."

Chairman McCabe reviewed the proposal made at the meeting of the executive committee of the Chairmen's Conference on September 27, 1949, stating that there had been considerable discussion as to whether the proposed meeting should include two or three Federal Reserve Banks and that he had felt it would be desirable to keep the initial conference small.

Mr. Clayton stated that he felt it would be desirable to
include a third Federal Reserve Bank, preferably Atlanta, in such a meeting so that not only the largest and smallest banks would be represented, but that there would be representation on a regional basis. He also suggested that, if it was considered desirable to restrict the attendance to two Federal Reserve Banks, the New York and Atlanta Banks might be selected in order to obtain better representation than would be obtained by the New York and Minneapolis Banks. He went on to say that he was heartily in favor of the proposed pilot meeting and that he was somewhat doubtful of the practicability of a meeting that would include directors of all Reserve Banks and branches, feeling that it could be beneficial and worthwhile only if the agenda was prepared with great care.

Mr. Eccles stated that he was doubtful that a conference of all directors of all Federal Reserve Banks and branches would be fruitful because it would mean that there would be from 250 to 300 persons in attendance and with a group of that size it would not be possible to have general participation in group discussion or for the directors to get to know each other extensively. He added that he could see merit in a smaller meeting such as that suggested and expressed the view that since it was a recommendation of the Chairmen's Conference, the Board should accept it.

Thereupon, upon motion by Mr. Clayton, the recommendation contained in Chairman McCabe's memorandum was approved unanimously.
Before this meeting, there had been circulated among the members of the Board a draft of letter to the Presidents of all Federal Reserve Banks stating that the Board had adopted revised instructions, a copy of which was attached, for waiver of penalties for deficiencies in reserves of member banks.

There followed a discussion of the proposed instructions and of the manner in which they had been prepared, Mr. Carpenter stating that the matter had been fully considered by the Presidents of the Federal Reserve Banks.

Following the discussion, unanimous approval was given to the letter to the Presidents of all Federal Reserve Banks as follows:

"All of the Federal Reserve Banks concurred in the proposed revised instructions for waiver of penalties for deficiencies in reserves of member banks enclosed with the Board's letter of July 29, but there was a difference of opinion with respect to the alternative forms of Provision C. This provision would authorize the Federal Reserve Banks to waive a penalty on a deficiency in reserves in a given computation period which was offset by excess reserves in the immediately following period. Six of the Federal Reserve banks expressed themselves in favor of the suggested limitation (two percent of required reserves) on the amount of the deficiency permitted. The other six banks preferred not to have this limiting proviso; two of them, however, had no objection to such a clause provided a five percent instead of a two percent deficiency were permitted. Only two of the Reserve Banks favored a limitation on the amount of deficiency on any day in the reserve computation period, as a condition to waiver of penalties.

"Two of the Federal Reserve Banks suggested a provision that, whenever a reserve computation period ends on a
"non-business day, that day may be included in the next reserve computation period. This would be merely an extension of an existing provision limited to central reserve and reserve city banks.

"The consensus of the Reserve Banks appeared to favor action by the Board without prior reference of this matter to the Presidents' Conference. Accordingly, the Board has adopted the attached instructions to become effective immediately. Provisions A, B, E, and F agree with corresponding provisions in the draft enclosed with the Board's letter of July 29, 1949; Provision C agrees with Alternative No. 2 in the draft; and Provision D is merely an extension to 'country banks' of a provision now in effect as to central reserve and reserve city banks.

"The terms of Provisions C and D should be brought to the attention of all member banks. It might be well to advise the banks, if you consider it desirable to do so, that these rules have been adopted with the definite objective of reducing the number of occasions on which member banks might otherwise incur deficient reserve penalties, but that the law contemplates that member banks should make reasonable efforts to hold and maintain the prescribed reserve balances from day to day, making allowance for unforeseen fluctuations in deposits and reserves, even though penalties are assessed on daily average deficiencies over prescribed periods and there is no longer a statutory prohibition against the making of new loans and the payment of dividends while reserves are deficient."

"INSTRUCTIONS FOR WAIVER

"Penalties may be assessed or not, in the discretion of the Federal Reserve Bank, in the following cases:

A. When the penalty incurred by a member bank in a reserve computation period is not in excess of five dollars.

B. When a member bank is deficient in its reserves during the reserve computation period within which it became a member, or during the immediately following reserve computation period, or during both such periods.

C. When a member bank is deficient in reserves during any other reserve computation period, to the extent that the deficiency is offset by excess reserves during the immediately following reserve computation period, provided that such deficiency does not exceed two percent of the member bank's required reserves.
D. When a member bank is deficient in reserves during a reserve computation period ending on a non-business day (of a member bank, of its Federal Reserve Bank, or of the Interdistrict Settlement Fund), to the extent that the inclusion of that day in the next reserve computation period would reduce or eliminate the deficiency. (If the period in which the deficiency occurs ends with two or more non-business days, they may all be included in the next computation period.)

E. When a member bank has a deficiency in reserves which does not come within any one of the above classes and such deficiency does not exceed five percent of its required reserves, provided that a penalty has not been waived under the provisions of this paragraph (or of corresponding paragraph D of the rules previously in effect) within a period of two years (or within the period of membership if the bank has been a member for less than two years).

F. When, before the assessment of a penalty for a deficiency in the reserves of a member bank, it is placed in receivership or liquidation or is absorbed by another bank.

"In all cases other than those described above, penalties incurred by a member bank for deficiencies in its reserves shall be assessed unless the Board of Governors of the Federal Reserve System, after a review of the facts of the case and the recommendation of the Federal Reserve Bank, authorizes the Federal Reserve Bank not to make the assessment."

Chairman McCabe stated that on October 5, 1949, he and members of the senior staff met with the subcommittee of the Federal Advisory Council, consisting of Messrs. Burgess, Potts, and Fleming, Chairman, appointed at the meeting of the Council on September 20, 1949, to look into the staff study of changes that might be made in Federal insurance coverage of bank deposits and the base and rate of assessment which had been sent to members of the Council on September 13, 1949, with a request for its comments. At that meeting,
Chairman McCabe said, the subcommittee submitted a report dated October 5, 1949, which expressed appreciation of the breadth and thoroughness of the study prepared by the Board's staff and stated that, in general, the Committee found itself in concurrence with the broad approach to the problems and the line of reasoning of the staff report, with reservations at some points. The principal comment of the Committee was to the effect that no proposal for substantial changes in the present law would be successful unless it had the approval and support of the Federal Deposit Insurance Corporation.

Chairman McCabe suggested that inasmuch as the staff study had not been considered by the Board, the staff review the suggestions submitted by the subcommittee of the Federal Advisory Council and make such changes in the staff study as might seem desirable in the light of the Council's recommendations.

This suggestion was approved unanimously.

Mr. Carpenter referred to the discussion at the meeting on September 16, 1949, of a cablegram to be sent by the State Department to the American Ambassador to Ceylon with respect to an extension of the services of Mr. John Exter, an economist in the Division of Research and Statistics who at present is serving as an adviser to the Government of Ceylon on the establishment of the Ceylon Reserve
Bank. He stated that the Department of State received a cablegram on September 24, 1949, from Ambassador Cole indicating that in view of the local situation, he had not deemed it advisable to present to the Government of Ceylon the proposal contained in the cablegram of September 16, 1949, which would extend Mr. Exter's services only to December 15, 1949, instead of to the end of 1950, as requested by the Ceylonese Government, and which would reiterate the offer to make available to the Government of Ceylon the services of Norman P. Davis (made in a letter to the State Department approved July 26, 1949) as an associate of Mr. Exter with a view to his succeeding him as adviser to the Government of Ceylon upon Mr. Exter's return to the United States. Mr. Carpenter also stated that a letter had now been received from Acting Secretary of State James E. Webb dated October 7, 1949, reading as follows:

"The Government of Ceylon is urgently requesting that the Federal Reserve Board make available to them for an additional year the services of Mr. John Exter. Under the terms of the original arrangement, whereby Mr. Exter went to Ceylon as an adviser on the establishment of the Ceylon Reserve Bank, he was to have completed his mission at the end of September 1949. Accordingly, plans have been made here to replace Mr. Exter with Mr. Norman Davis who would advise the Government of Ceylon on the operations of the bank.

"The Government of Ceylon, however, strongly desires to retain Mr. Exter, because he is familiar with the special problems of Ceylon and because his replacement at this time, when the legislation for the new institution has not yet passed the legislature, might lead to substantial delays which could not be other than detrimental to the success of the project. Furthermore, the
"Government of Ceylon would, by retaining Mr. Exter, avoid the embarrassment of having to choose between the American successor and the two candidates whose consideration for the position is being urged by the British Government.

"I feel that this situation provides an excellent opportunity for the United States to demonstrate its good will and an unselfish interest in Ceylon's welfare, as well as to bring important Ceylonese officials into contact with American methods and with an American representative who has already gained the confidence and respect of the Government of Ceylon.

"Ceylon's friendship is valuable to us and a most cordial relationship between the two countries has been maintained. Nevertheless our relations have been somewhat strained in past months because it has been necessary for the United States Government to require production of synthetic rubber in this country on a scale which most Ceylonese feel has artificially depressed the price of Ceylon's natural rubber. The Department of State has therefore been anxious to find ways in which to offset the resentment which has resulted. The extension of Mr. Exter's period of service to the Government of Ceylon would be a valuable contribution in this respect.

"It is also significant, I think that Mr. Exter's mission in Ceylon exemplifies the manner in which American technical advisers might operate under the projected Point Four program; and the enthusiasm which the Government of Ceylon has displayed for Mr. Exter's work advertises the potentialities of American technical assistance.

"With reference to the British Government's effort to replace Mr. Exter with a British adviser to the Ceylon Reserve Bank, the Department's recommendation that Mr. Exter's period of service be extended is not based upon any desire to embark upon competition with British interests in Ceylon. We feel that Ceylon as an independent nation is entirely justified in seeking foreign advisers, whatever their nationality, whom they consider best qualified to fulfill Ceylon's requirements. It is not intended that Mr. Exter's service in Ceylon be regarded or used as a means of weakening the friendship and collaboration which has existed between Ceylon and the United Kingdom."
"In view of the foregoing considerations, I believe that a favorable response to Ceylon's request that Mr. Exter be permitted to continue his work with the Ceylon Reserve Bank for an additional period will be an important contribution to the furtherance of our friendly relations with Ceylon."

Mr. Carpenter made the further statement that this morning Mr. Szymczak expressed to him the view that, from the technical standpoint, Mr. Exter's task would be completed by December 15, 1949, to which date his leave had been extended, but from the standpoint of the position presented in the letter from Acting Secretary of State Webb he (Mr. Szymczak) would be agreeable to extending the leave as requested with the knowledge, however, that this raised the question of what the personnel policy of the Board should be in connection with the provision of personnel for long assignments of this kind.

There followed a discussion of the period of time for which Mr. Exter's leave might be extended during which it was suggested that an extension to June 15, 1950, should be sufficient. It was also suggested that the Secretary discuss the matter with Mr. Szymczak by telephone to ascertain whether he would be agreeable to an extension for this period of time.

Thereupon, upon motion by Mr. Draper, the foregoing suggestion was approved unanimously, with the understanding that it would be discussed with Mr. Szymczak over the telephone in order to obtain his views, and if
he so desired the matter would be considered again by the Board.

Secretary's Note: Following the meeting, Mr. Szymczak stated that while he preferred to extend Mr. Exter's leave of absence for one year he would concur in the action of the Board as stated above. Thereupon, a letter was sent to the State Department on October 14, 1949, as follows:

"The Board has given careful consideration to your letter of October 7 regarding Mr. Exter's stay in Ceylon. It wishes to go as far as it can in acceding to the request for an extension of Mr. Exter's services, but, taking into account all the circumstances and the need for Mr. Exter's services here in Washington, it has concluded that it can not extend Mr. Exter's stay in Ceylon beyond June 15, 1950, at the latest.

"The Board is much gratified at your assurance of the value of Mr. Exter's services to the Ceylon Government and is glad to feel that it is contributing effectively to the Point IV program."

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 6, 1949, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 7, 1949, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated October 6, 1949, from Mr. Carpenter, Secretary of the Board, recommending that Kenneth A. Kenyon be transferred from the Division of Examinations to the Secretary's Office as a general assistant on a temporary basis with no change in his present salary of $5,182.80 per annum, with the understanding that the transfer would be subject to review not later than February 1, 1950.
Memorandum dated October 7, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective October 16, 1949:

<table>
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<tr>
<th>Name</th>
<th>Title</th>
<th>Salary Increase from</th>
<th>To</th>
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<tbody>
<tr>
<td>W. A. Pollard</td>
<td>Asst. Chief, Fiscal Section</td>
<td>$7,482.80</td>
<td>$7,608.20</td>
</tr>
<tr>
<td>E. L. Carmichael</td>
<td>Supvr., Publications Section</td>
<td>4,479.60</td>
<td>4,605.00</td>
</tr>
<tr>
<td>Harry E. Kern</td>
<td>Supvr., Procurement Section</td>
<td>3,852.60</td>
<td>3,978.00</td>
</tr>
<tr>
<td>Mary E. Dorsey</td>
<td>Printing Clerk</td>
<td>3,601.80</td>
<td>3,727.20</td>
</tr>
<tr>
<td>Helen L. Rule</td>
<td>Publications Clerk</td>
<td>3,351.00</td>
<td>3,476.40</td>
</tr>
<tr>
<td>Woodley Boothe</td>
<td>General Mechanic</td>
<td>3,175.44</td>
<td>3,250.68</td>
</tr>
<tr>
<td>Leroy H. Cooley</td>
<td>Telegraph Operator</td>
<td>2,949.72</td>
<td>3,024.96</td>
</tr>
<tr>
<td>Dorothy S. Hurst</td>
<td>Clerk-Stenographer</td>
<td>2,498.28</td>
<td>2,573.52</td>
</tr>
<tr>
<td>Eleanor P. Simmonds</td>
<td>Stenographer</td>
<td>2,498.28</td>
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<td>Dessie A. Collison</td>
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<td>2,086.00</td>
<td>2,152.00</td>
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<td>Catherine Gallagher</td>
<td>Cafeteria Helper</td>
<td>2,020.00</td>
<td>2,086.00</td>
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The memorandum also recommended that the appointment of Mrs. Dorothy S. Hurst as a clerk-stenographer in that Division be extended on a permanent basis, effective October 16, 1949.

Approved unanimously.

Memorandum dated October 5, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that two additional key-punch operators be employed in the Machine Tabulation Section of that Division, one on a permanent basis and one on a temporary indefinite basis, with basic salaries not to exceed $2,724.00 per annum, and recommending further that a Type 55 Alphabetical Verifier be rented from the I. B. M. Corporation at a rental charge of $38.50 per month, including manufacturer's excise tax.

Approved unanimously.
Letter to Mr. Frank H. Neely, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of October 5, 1949, the Board of Governors approves effective November 1, 1949, payment of salary to Mr. O. W. Hammond, Alternate Assistant Federal Reserve Agent, at the rate of $3,900.00 per annum."

Approved unanimously.

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

"This is in reply to your letter of August 29, 1949, referring to the inquiries by member banks as to why the branch bank reports of condition were resumed.

"Branch banking is an increasingly important part of the banking structure. About one-fourth of all banking offices in this country are branches, compared with about one-twentieth in 1921, when the number of banks was at its peak. Thus, in order to present an adequate picture and analysis of the banking structure, it is necessary to obtain periodically some data on the branch segment of the banking structure.

"The reports will also facilitate the continued compilation of the important and valuable banking statistics by counties and cities. Without such reports, this can not be done properly where there are inter-county and inter-city branches. Most of these compilations have, from necessity, been prepared from the consolidated condition reports tabulated according to a single location (that of the bank's head office, unless it has a branch in a city where banks are subject to higher reserve requirements).

"The need for such data is evidenced by the considerable interest in the Board's pamphlet, Distribution of Bank Deposits by Counties, and the publicity given in the Monthly Reviews of Reserve Banks and in the outside press to the county figures as of December 31, 1947. A similar pamphlet is in preparation from the reports as of June 30, 1949. During the war this information was collected and published by the Treasury Department with the cooperation of the banking supervisory agencies, as of December 31, 1941-1944. These county figures were obtained from special reports of
"deposits requested from those banks that had out-of-county branches.

"For a number of years the Board and the Comptroller of the Currency have cooperated with the Federal Deposit Insurance Corporation in the preparation of special tabulations of selected condition report items by counties for the use of the Department of Agriculture and the American Bankers Association. The Department of Agriculture has used the data for numerous studies, including the preparation of the annual Balance Sheet of Agriculture, portions of which have appeared from time to time in the Federal Reserve Bulletin (pages 1053-1063, September 1949 issue). The American Bankers Association first requested these tabulations in 1942 for use in the Food for Freedom campaign; use has also been made of the data at State and county bankers association meetings, particularly in comparing farm loans made by banks with loans made by Government lending agencies.

"These data are, of course, of general use and interest within the System, and are needed from time to time in preparing replies to inquiries by Congressional committees regarding the banking structure and in particular the branch banking segment. Similar inquiries are also received from the general public.

"Branch bank reports of condition were collected fairly regularly prior to June 30, 1941, but were dropped for the duration of the war with the general understanding that they would be resumed at a later date. It was felt that the request for branch reports would not impose an undue burden upon the reporting banks and branches, since they call for no item of information (except inter-office accounts) that does not appear in the consolidated call report. Presumably every item in the branch report had to be reported in any event by each branch to its head office for the preparation of the consolidated condition report."

Approved unanimously.

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

"Reference is made to your letter of September 29, 1949, submitting the request of the 'Fidelity Union Trust Company', Newark, New Jersey, for approval of the establishment of a
"branch in Irvington, New Jersey, in connection with the proposed purchase of assets and assumption of liabilities of the Irvington National Bank, Irvington, New Jersey.

"In view of your recommendation the Board of Governors approves the establishment and operation of a branch in Irvington, New Jersey, by the Fidelity Union Trust Company, Newark, New Jersey, provided the absorption of the Irvington National Bank is effected substantially as proposed and formal approval of the appropriate State authorities is obtained, with the understanding that counsel for the Federal Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the absorption and to establish the branch."

Approved unanimously.

Letter to Mr. G. M. O'Keefe, Member, Board of Directors,

Guam Chamber of Commerce, Agana, Guam, reading as follows:

"This refers to your letter of September 7, 1949, relating to a proposal to organize a bank on the Island of Guam and requesting information with respect to the question whether a private bank on that Island would be permitted to become a member of the Federal Reserve System.

"The Board has not had occasion previously to consider the question whether a bank located on the Island of Guam might be admitted to membership in the Federal Reserve System. The pertinent statutory provisions are in the Federal Reserve Act, a copy of which is enclosed. You will note that the twelfth paragraph of section 19 of that Act provides, in part, that banks organized under local laws, located in a dependency or insular possession or any part of the United States outside the continental United States, may, with the consent of the Board, become member banks of any one of the Reserve districts. However, if you have in mind an unincorporated bank, which is the sense in which the term 'private bank' is frequently used, the proposed institution clearly would not be eligible for membership because only incorporated banks may be admitted. Moreover, assuming that the proposed institution might be incorporated under local laws on the Island of Guam (a matter as to which we are not fully informed), it appears that the bank would not be admitted to membership because section 12B of
"the Federal Reserve Act does not provide for the insurance of deposits of banks located on the Island of Guam and the law contemplates that all banks which are members of the Federal Reserve System shall be insured banks.

We regret that we are unable to give you any more favorable answer concerning membership in the Federal Reserve System but may point out that, while we are not in a position to express any opinion concerning the merits of the proposal to organize another bank on the Island of Guam, such action, of course, would not require Federal Reserve membership."

Approved unanimously.

Approved:

Chairman.

Secretary.