Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 18, 1949. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Corkhum, Minutes Clerk, Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Bethea, Director, Division of Administrative Services
Mr. Nelson, Director, Division of Personnel Administration
Mr. Horbett, Assistant Director, Division of Bank Operations
Mr. Solomon, Assistant General Counsel
Mr. Daniels, Technical Assistant, Division of Bank Operations

Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Daniels dated October 7, 1949, with respect to the quarterly deduction from earnings of the Federal Reserve Banks for reserves for contingencies before payments by the Banks to the Treasury of interest on outstanding Federal Reserve notes. The memorandum stated that deductions of $15 million a quarter were made for the first two quarters of 1949 in accordance with the understanding at the December 1, 1948, joint meeting of the Board and the Presidents of the Federal Reserve Banks, that the question of continuation of the deduction was raised informally on June

28, 1949, when Presidents of five Federal Reserve Banks were in Washington for a meeting of the Federal Open Market Committee at which time it was suggested that because of the marked change in the situation since last December further deductions should not be made, and that varying views of the Presidents of the seven other Federal Reserve Banks were indicated in responses to a telegram sent to them under date of July 8, 1949, asking for their comments. The memorandum also stated that in view of the fact that there had been no definite decision to discontinue the $15 million deduction after the second quarter, it would be possible to make another deduction for the third quarter, leaving the interest payments for the last quarter to be adjusted so as to reflect the decision as to final retention not only of the deduction for the third quarter but of the $30 million already set aside from earnings of the first two quarters of this year.

During a discussion of the memorandum, various alternatives were considered, including (1) discontinuance entirely at this time of the deductions for reserves for contingencies, (2) deduction of $15 million for the third quarter of this year, with the understanding that the matter of continuing deductions would be considered again before the end of this year at a meeting with the Presidents of the Federal Reserve Banks, and (3) deduction for the third quarter of $10 million, with the understanding that the matter of further deductions would be considered at a meeting with the Presidents of the

Federal Reserve Banks before the end of this year.

At the conclusion of the discussion, upon motion by Mr. Vardaman, it was agreed unanimously that the deduction for the third quarter should be in the amount of $10 million rather than $15 million and that the matter should be reviewed with the Presidents of all of the Federal Reserve Banks early in December.

Secretary's Note: In accordance with the foregoing action, the following telegram was sent under date of October 19, 1949, to the Presidents of all Federal Reserve Banks:

"Referring arrangement under which $15,000,000 has been set aside each quarter for transfer to Federal Reserve Banks' reserve for contingencies, it was anticipated in accordance with informal discussion by Presidents during June Federal Open Market Committee meeting and July 8 telegram to other Presidents that no such deduction would be made after second quarter and that the whole matter would be discussed at the next meeting of the Presidents and the Board. Some Presidents expressed the opinion in response to Board's July 8 telegram that an additional amount should be set aside at least for third quarter. Since payment to Treasury of interest on Federal Reserve notes for third quarter of year must be made before next meeting with Presidents, Board discussed question at its meeting yesterday and decided that $10,000,000 should be set aside for third quarter and the whole matter discussed with Presidents at next conference with Board."

Messrs. Horbett and Daniels withdrew from the meeting at this point.

Mr. Vardaman referred to a letter which he had received under date of October 5, 1949, from Mr. Davis, President of the Federal Reserve Bank of St. Louis, stating that the executive committee of that

Bank had approved, subject to the approval of the Board of Governors, the erection of a garage at the corner of Fourth and St. Charles Streets, which was part of the original plan for rehabilitation of the Nugent property owned by that Bank, at a guaranteed cost of $270,000 including a fixed fee of $20,000 but excluding architects' and engineers' fees. Mr. Vardaman stated that parking facilities would be provided for officers and employees of the St. Louis Bank and for tenants, which would include the Federal Deposit Insurance Corporation, the chief national bank examiner, and the Reconstruction Finance Corporation, as well as for official visitors to the Bank and that he felt such facilities were necessary and would recommend that the St. Louis Bank be authorized to proceed with the construction.

In this connection, reference was made to a memorandum dated October 17, 1949, from Mr. Daniels, technical assistant, Division of Bank Operations, with respect to the proposed construction.

After a discussion, upon motion by Mr. Vardaman, unanimous approval was given to the following letter to Mr. Davis:

"The Board has considered the matters outlined in your letter of October 5, 1949, addressed to Mr. Vardaman and will interpose no objection to your Bank's proceeding with the construction of a garage on the parking lot at Fourth and St. Charles Streets, St. Louis, at a cost not to exceed $270,000 plus architects' and engineers' fees."

Chairman McCabe stated that in accordance with the understanding at the meeting on September 16, 1949, he and Mr. Carpenter called on the

Commissioner of Internal Revenue, Mr. George J. Schoeneman, yesterday afternoon and raised with him the question how private corporations handled the problem of retirement allowances for top officers who were employed relatively late in life, and how additional retirement benefits might be provided for Presidents of Federal Reserve Banks without making the retirement fund subject to taxation. The Commissioner called in Mr. Edward I. McLarney, Deputy Commissioner of Internal Revenue, and Mr. Shreve of the Bureau, Chairman McCabe said, and various possibilities were discussed, but they volunteered no information as to how the problem was being met by private corporations. In the discussion, reference was made to the suggestion that a contract be made by a Federal Reserve Bank with an incoming President under which the Bank would agree to pay him upon retirement at the end of his term after attaining age 65 an amount necessary to bring the total payments that would be made to him by the Retirement System and the Bank to $10,000 per annum. Two or three times during the discussion of this suggestion, the representatives of the Bureau of Internal Revenue stated, Chairman McCabe said, that inasmuch as such a contract would not be a part of or related to the Federal Reserve Retirement System but would be an independent contract between the Bank and the President there would be no objection to it on the part of the Bureau and it would raise no question with respect to the tax-free status of the retirement fund. Chairman McCabe went on to say that it was clear from the discussion that an arrangement of this kind was preferred by representatives of the Bureau over any other possible solution that was advanced. He added that the representatives of the Bureau had suggested that if such a contract were drawn up, they be permitted to see it on an informal basis before it was put into effect.

In the circumstances, Chairman McCabe suggested that the Legal Division be requested to draw up a contract along the lines discussed and that it be submitted informally by the staff to the appropriate representatives of the Bureau of Internal Revenue after which it be presented to the Board for further consideration.

> Following a discussion of the matter and of the form such a contract should take, Chairman McCabe's suggestion was approved unanimously, with the understanding that when the form of contract was submitted to the Board, the Board would at the same time give consideration to the policy that should be adopted with respect to the Presidents who were now serving and whose retirement allowances would be less than $10,000 per annum.

Reference was made to a letter dated October 13, 1949, to Mr. Draper, as a member of the executive committee of the Retirement System of the Federal Reserve Banks, from Mr. Gilbert, Chairman of the executive committee, with respect to administration of the investments of the Retirement System. At Mr. Draper's request, Mr. Carpenter read the memorandum approved at the meeting of the Board on April 28, 1949, and discussed at the meeting on April 29, 1949, at which officers of six Federal Reserve Banks who were also officers of the Retirement System were present, and which stated in part that the Board would suggest that the present arrangement with the Northern Trust Company be discontinued and that the Retirement System employ a qualified individual as an investment counselor who would work under the direction and supervision of the Investment Committee.

Mr. Carpenter then read the letter from Mr. Gilbert which transmitted a copy of a report of a subcommittee of the Investment Committee, composed of Presidents Erickson and Sproul, appointed to study questions involved in the administration of investments, and a copy of the minutes of an executive session of the Investment Committee of the Retirement System held on September 27, 1949, which specifically requested the executive committee to act upon the following recommendations: (1) that the Northern Trust Company be relieved of management of investments in Government securities effective January 1, 1950, the management of such investments to be handled by the Federal Reserve Bank of New York under the direction of the Investment Committee, (2) that the Retirement System continue for the present to employ the Northern Trust Company for management service in connection with investments other than Government securities, (3) that the executive committee, if it approves (1) and (2) above, request the Investment Committee to negotiate with the Northern Trust Company with respect to the fee to be paid for services under the new arrangement. Mr. Gilbert's letter also asked for Mr. Draper's views on these three recommendations, as a member of the executive committee, either by a mail vote or, if he preferred, at a special meeting of the executive committee.

Mr. Carpenter also read the report of the subcommittee which accompanied Mr. Gilbert's letter.

Mr. Draper stated that his reply, as a member of the executive committee of the Retirement System, to Mr. Gilbert's letter should state the views of the Board and that he felt that the Federal Reserve Bank of New York could handle investments in Government securities for the fund but if the Retirement System was to continue to invest in other types of securities it would be desirable for the Board of Trustees to employ an investment counselor.

Chairman McCabe said that, for reasons which he stated, he felt it was not desirable to continue the arrangement with Northern Trust Company or any other trust company for investment management services and that the Retirement System should have an investment manager who would have available the services of investment counsel. He stated that he realized this would throw a heavier burden on the investment committee in making decisions but that he felt this was not objectionable. He went on to say that such an arrangement might be temporary because the understanding with the Presidents at the meeting on April 29, 1949, contemplated that the arrangement would be reviewed at the end of 1950, but that he felt it would be desirable to inform Mr. Gilbert that the Board would favor employment of an investment manager and investment counsel even though it was for a temporary period.

Mr. Vardaman stated that he was opposed to retention of the arrangement with Northern Trust Company or any other trust company for investment management services and that he was also opposed to splitting the handling of the investments of the Retirement System between the Federal Reserve Bank of New York and the Trust Company as suggested in the report of the subcommittee. He reiterated the view which he had expressed in the past that, if the retirement benefits were in effect to be guaranteed by the Reserve System, its investments should be limited as proposed by the Board in the memorandum submitted to the Presidents on December 9, 1947.

Mr. Szymczak stated that he felt that the time had come for the Board to make clear to the Trustees of the Retirement System its position as to whether the Northern Trust Company should continue to furnish investment service and whether an investment counselor should be employed and that while the report of the subcommittee of the Investment Committee stated the arguments for and against retention of Northern Trust Company or any other trust company clearly, he did not feel the committee had gone far enough in investigating the possibilities and cost of employing an investment manager. He went on to say that approval even for a temporary period of the suggested arrangement for splitting investments so that the New York Bank would handle investments in Government obligations and the Northern Trust Company would handle investments in non-Government securities would imply that continuance of the arrangement with Northern Trust Company was agreed to by the Board, which would be contrary to the action of the Board at the meetings on April 28 and 29, 1949, and that in his opinion this was the time for the Board to make clear its view that the arrangement with the Northern Trust Company should be discontinued.

During a further discussion, it was suggested that Mr. Draper call Mr. Gilbert on the telephone and express the views of the Board substantially as follows:

> The recommendations contained in the minutes of the executive session of the Investment Committee which you sent to me with your letter of October 13 are at variance with the suggestions made by the Board at the time of its discussion with Presidents of several Federal Reserve Banks on April 29, 1949. The Board feels rather strongly that the use of the Northern Trust Company or any other trust company for management service in connection with investments of the Retirement System should be discontinued, and it favors the appointment of an investment manager at a salary commensurate with the responsibilities he would assume, who would have access to investment counsel. It is recognized that this might mean that the members of the Investment Committee would have to give more time to the problems of investment policy than has been the case in the past.
>
> If the other members of the executive committee have a view different from what I have outlined, the Board suggests that action be deferred on the three recommendations of the Investment Committee and that the executive committee meet in Washington around the middle of November, when it is expected

that a meeting of the Federal Open Market Committee or its executive committee will be held, for the purpose of considering the recommendations, at which time members of the Board would also be available to participate in the discussion.

This suggestion was approved unanimously.

There was then presented a draft of letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, in the following form:

"This refers to your letter of October 14, 1949, requesting the comments of the Board on enrolled bill S. J. Res. 134.

"S.J.Res. 134 would provide additional funds and an extension of time until March 1, 1950, of the existing authorizations under Title I and VI of the National Housing Act; provide additional insurance authorizations under Title II of the National Housing Act; and provide an increase of $1 billion in the mortgage purchase authority of the Federal National Mortgage Association. The resolution would also amend the law so as to enable national banks to make military housing loans insured under Title VIII of the National Housing Act and to make real estate loans on long-term leases in certain cases. Also, the resolution would enable the Federal National Mortgage Association to purchase certain mortgages insured under the Servicemen's Readjustment Act of 1944, without regard to the 50 percent limitation on purchases from one lender that now applies.

"As indicated in our letter of October 10, 1949, forwarding copies of letters to the Committees on Banking and Currency of the House and Senate, the Board has no objection to the enactment of the provisions mentioned above enabling national banks to make military housing loans insured by FHA and real estate loans on long-term leases in certain cases.

"All things considered, the Board would not be disposed to suggest disapproval of S. J. Res. 134, but it feels that there may well be a serious question as to the advisability of any further extension or expansion of Titles I and VI of the National Housing Act beyond the "date contained in the present resolution. The Board also feels that the so-called 'secondary market' for mortgages as provided through the Federal National Mortgage Association, especially with the 50 percent limit removed, is essentially inconsistent with the sound objective of maximum reliance on private financing of housing, and that the 'secondary market' should be repealed or at least thoroughly reexamined and revised."

Approved unanimously.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Bethea, and Nelson left the meeting.

At the beginning of this meeting Mr. Nelson distributed to the members of the Board and had previously discussed with Mr. Szymczak, as the only member of the Personnel Committee available, a memorandum dated October 18, 1949, with respect to the action to be taken by the Board to increase the salaries of its employees to bring them in line with the changes which would be made by the Classification Act of 1949 in the salaries of employees in the Federal Government in the classified service. The Act, which had been passed by the House and was expected to be passed by the Senate and signed by the President shortly, would increase the salary scales of classified positions in the Government service, would add three grades at the top of the classification schedule, and would provide for increasing salaries above the maxima for the grades in certain cases because of length of service. In order to adjust the Board's basic pay scales and the salaries of employees to the rates that would be established under the Classification Act of 1949 the memorandum recommended that, effective as of the beginning of the first pay roll period following the date upon which the new Act became law:

1. The Board adopt the following salary scales for the respective groups covering the classified positions on the Board's staff, it being understood that the three new top grades would be used only upon the specific approval of the Board:

| | Present Board Pay Scale | | Proposed Board Pay Scale | |
|---|---|---|---|---|
| Group | Minimum | Maximum | Minimum | Maximum |
| A | $1410 | $1732 | $1510 | $1870 |
| B | 2020 | 2350 | 2120 | 2540 |
| C | 2020 | 2423.04 | | |
| D | 2086 | 2498.28 | 2200 | 2680 |
| E | 2152 | 2498.28 | 2252 | 2732 |
| F | 2152 | 2573.52 | | |
| G | 2284 | 2724 | 2450 | 2930 |
| H | 2350 | 2799.24 | 2450 | 2930 |
| I | 2498.28 | 2949.72 | 2650 | 3130 |
| J | 2573.52 | 3024.96 | 2674 | 3154 |
| K | 2724 | 3175.44 | 2875 | 3355 |
| L | 2799.24 | 3250.68 | 2900 | 3380 |
| M | 2974.80 | 3727.20 | 3100 | 3850 |
| N | 3024.96 | 3601.80 | 3125 | 3725 |
| O | 3225.60 | 3978 | 3400 | 4150 |
| P | 3351 | 4103.40 | 3450 | 4200 |
| P (M) | 3601.80 | 4354.20 | 3775 | 4525 |
| Q | 3727.20 | 4479.60 | 3825 | 4575 |
| Q (M) | 3978 | 4730.40 | 4150 | 4900 |
| R | 4103.40 | 4855.80 | 4200 | 4950 |
| S | 4479.60 | 5232 | 4600 | 5350 |
| T | 4855.80 | 5608.20 | 5000 | 5750 |
| U | 5232 | 6235.20 | 5400 | 6400 |
| V | 6235.20 | 7192.80 | 6400 | 7400 |
| W | 7432.20 | 8389.80 | 7600 | 8600 |
| X | 8509.50 | 9706.50 | 8800 | 9800 |
| Y | 10305 | 10330 | 10000 | 11000 |
| Z | | | 11200 | 12000 |
| Z-1 | | | 12200 | 13000 |
| Z-2 | | | 14000 | |

2. The salary of each employee under the Board's classification plan be increased to the new rate for the employee's present salary group and comparable step in that group.

3. The salaries of employees of the Board's staff whose positions are unclassified be adjusted to the respective rates shown below:

| Name and Title | Present Salary | Proposed Salary | Amount of Increase |
|---|---|---|---|
| Benton, Madeleine E., Secretary to the Chairman | $5,400.00 | $5,700.00 | $300 |
| Cotten, Mrs. Annie I., Secretary to Mr. Clayton | 5,130.00 | 5,300.00 | 170 |
| Hoffman, Dorothy B., Secretary to Mr. Vardaman | 5,130.00 | 5,300.00 | 170 |
| Newcome, Elnyr D., Secretary to Mr. Szymczak | 5,130.00 | 5,300.00 | 170 |
| Rauber, Margaret E., Secretary to Mr. Draper | 5,130.00 | 5,300.00 | 170 |
| Westman, Elsie M., Secretary to Mr. Evans | 5,130.00 | 5,300.00 | 170 |
| Jones, Mrs. Ruth, Secretary to Mr. Thomas | 4,103.40 | 4,200.00 | 96.60 |
| Muehlhaus, Margaret N., Secretary to Mr. Thurston | 4,100.00 | 4,200.00 | 100 |
| Malia, Anne, Secretary to Mr. Morrill | 3,727.20 | 3,825.00 | 97.80 |
| Schmidt, Catherine L., Secretary to Mr. Riefler | 3,601.80 | 3,700.00 | 98.20 |
| Norris, Charles R., Clerk | 3,175.44 | 3,355.00 | 179.56 |
| Thomas, Mrs. Laura K., Stenographer (Mr. Vardaman) | 3,100.20 | 3,275.00 | 174.80 |
| Arnold, Mrs. Mary Rose, Stenographer (Mr. Eccles) | 3,024.96 | 3,195.00 | 170.04 |
| Carrick, Mrs. Elsie N. Stenographer (Mr. Szymczak) | 3,024.96 | 3,195.00 | 170.04 |
| Saunders, Dorothy L., Stenographer (Mr. Eccles) | 2,874.48 | 3,050.00 | 175.52 |

| Name and Title | Present Salary | Proposed Salary | Amount of Increase |
|---|---|---|---|
| Trivett, Gertrude, Stenographer (Mr. Draper) | $2,799.24 | $2,955.00 | $155.76 |
| Hart, Bishop, Messenger (Mr. Eccles) | 2,648.76 | 2,770.00 | 121.24 |
| Branic, Otto H., Messenger (Chairman) | 2,573.52 | 2,690.00 | 116.48 |
| Brown, Fletcher E., Messenger (Mr. Vardaman) | 2,573.52 | 2,690.00 | 116.48 |
| Hamilton, J. F., Messenger (Mr.Evans) | 2,573.52 | 2,690.00 | 116.48 |
| Jamison, Michael L., Messenger (Mr. Draper) | 2,573.52 | 2,690.00 | 116.48 |
| Frost, Fredrick L., Messenger (Mr. Szymczak) | 2,498.28 | 2,610.00 | 111.72 |
| Bundy, Herbert W., Messenger (Mr. Clayton) | 2,350.00 | 2,450.00 | 100.00 |
| Coleman, Philip E., Administrative Assistant to the Chairman | 7,600.00 | 7,800.00 | 200.00 |
| Murff, Gordon R., Federal Reserve Examiner (In charge of Road Force) | 9,830.00 | 10,250.00 | 420.00 |

4. The salaries of part-time employees be fixed at the following proposed rates:

| Name and Title | Present Salary (Per day worked) | Proposed Salary (Per day worked) |
|---|---|---|
| Mitchell, Willis H., Analyst | $12.00 | $12.00 |
| Moore, A. A., Night Settlement Clerk | 7.50 | 7.50 |
| French, Amy P., Substitute Maid | 8.10 | 8.40 |
| Hardesty, Edna B., Substitute Nurse | 11.60 | 11.90 |
| Thompson, Frances M., Substitute Nurse | 11.60 | 11.90 |

5. No adjustments be made in the salaries of employees listed below whose respective salaries are above the maximum salaries for their present group classifications or the rates set by the Board for the positions:

| Name and Title | Present Salary | Present Classification |
|---|---|---|
| Egbert, VaLois, Secretary to Mr.Eccles | $5,600.00 | Unclassified |
| Noell, J. Carroll, Federal Reserve Examiner | 8,225.00 | V $6,235.20 - 7,192.80 |
| Barker, C.S., Assistant Federal Reserve Examiner | 5,810.00 | T 4,855.80 - 5,608.20 |

6. No change be made in the annual salary of Mr. Kilgore, Personnel Assistant, who is on terminal leave.

7. No change be made in the rate of compensation of the seven individuals on the Board's list of consultants.

8. The Board adopt the policy incorporated in the Classification Act of 1949 of considering, upon recommendation of the respective division heads and the Personnel Committee, longevity increases as a reward for long and faithful service under the following conditions:

(a) The Board approve, in principle, of longevity increases to an employee beyond the maximum rate of the group in which his position is placed. For each additional step increase the employee must have completed three years of continuous service at the maximum scheduled rate or at a rate in excess thereof. The employee shall have had in the aggregate not less than ten years of service in the position which he then occupies or in a position in an equivalent or higher classification group. Each such additional step shall be equal to a one step increase in the group in which the position of the employee is placed.
(b) No employee shall receive more than one such additional step increase for any three years of continuous service and in no event shall the employee receive more than three step increases above the scheduled maximum of his group.
(c) No employee shall be given longevity step increases while holding a position in any group above Group T.

After discussion, the recommendations contained in the memorandum as set forth above were approved unanimously.

Chairman McCabe stated that in accordance with the action taken at the meeting on October 10, 1949, he had talked with Mr. Lunding of the Federal Reserve Bank of Chicago, who had been in Washington, about the terms under which Mr. Dunn, First Vice President of the Bank, would terminate his services and that, in view of the fact that Mr. Dunn's appointment was for a term ending February 28, 1951, the Directors would like to pay Mr. Dunn $10,000 as a separation allowance and, in addition, pay $10,000 to the Retirement System for the purpose of increasing his retirement allowance. The latter payment, Chairman McCabe said, would not be as a credit for prior service but merely for the purpose of increasing the retirement allowance. He made the further statement that in the circumstances surrounding Mr. Dunn's resignation, he would recommend that the proposal of the Directors of the Federal Reserve Bank of Chicago be adopted as an acceptable solution of the problem.

Mr. Szymczak stated that while he was willing to accept the proposal of the Chicago Directors, he felt that the selection of a First Vice President of the Bank who would be stationed at Chicago and who would take an active part in the executive management of the Bank was a much more important matter.

Mr. Vardaman also concurred in the proposal with respect to Mr. Dunn but felt that it was an undesirable precedent for the Board to proceed on the basis that, because a First Vice President was elected for a specified term, it was not possible to terminate his employment before the end of the term if his services were unsatisfactory.

At the conclusion of the discussion, upon motion by Mr. Szymczak, it was voted unanimously to advise the Federal Reserve Bank of Chicago that the Board approved (1) the payment to Mr. Dunn of a separation allowance equal to six months' salary from November 1, 1949, and (2) the payment of $10,000 to the Retirement System for the purpose of supplementing the retirement allowance which Mr. Dunn would receive.

Thereupon, all of the members of the staff withdrew from the meeting and at the conclusion thereof Mr. Szymczak informed Mr. Sherman that at the executive session the Board had voted unanimously to increase the salary of Mr. Carpenter, Secretary of the Board, from $13,500 to $15,000 per annum, effective immediately.

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 17, 1949, were approved unanimously.

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

"In accordance with the request contained in your letter of October 13, 1949, the Board approves the "designation of the following employees of the Detroit Branch as special assistant examiners of the Federal Reserve Bank of Chicago: Banner, Loren W., Masonia, William J., Cook, Robert W."

Approved unanimously.

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

"In view of the recommendation contained in your letter of October 11, 1949, the Board of Governors extends until November 26, 1949, the time within which the 'Central Valley Bank of California', Richmond, California, may establish the branch in El Cerrito, California, as approved by the Board under date of June 20, 1949."

Approved unanimously.

Letter to Mr. J. R. Dunkerley, Deputy Manager, The American Bankers Association, 12 East 36th St., New York 16, New York, reading as follows:

"This is to acknowledge receipt of your letter of October 5, 1949, enclosing a copy of a letter written by your Assistant General Counsel, Mr. Sommers, to Mr. E. G. Welch of the Burroughs Adding Machine Company, regarding the question whether the proposal made by that Company for the handling of savings accounts would comply with the requirements of existing laws and regulations.

"As indicated in our letter to you of July 5, 1949, the Board would not be disposed to regard the folder contemplated under the plan of the Burroughs Company as constituting a passbook within the meaning of the Board's regulations. Apparently, we do not have a copy of the opinion of counsel of the Burroughs Company on this question which is referred to in Mr. Sommers' letter.

"Your letter mentions the fact that the president of a mutual savings bank recently told you that he had heard a rumor to the effect that there is a sentiment in the Board of Governors to discourage commercial banks from accepting savings deposits. No sentiment of this kind "has been expressed by the Board and, to the best of my knowledge, no such sentiment exists among the members of the Board. It is true, of course, that under the law savings deposits are given a favored status in that they are the only type of deposit as to which member banks have the privilege of making payment on demand with interest and, at the same time, of carrying reserves less than those required against demand deposits; and for this reason, the Board has prescribed in its regulations certain requirements for the purpose of preventing abuses such as the use of savings accounts as ordinary checking accounts. These requirements, however, are not intended to discourage the acceptance of savings deposits by member banks but merely to preserve the distinction between savings and demand deposits.

"It is noted from your letter that your Association is still giving thought to the proposal made by the Burroughs Adding Machine Company and, as indicated in our previous correspondence, we shall be glad to have the benefit of your views with respect to this matter when your study is completed."

Approved unanimously.

Letter to Mr. Halbert L. Dunn, Secretary General, Inter-American Statistical Institute, c/o National Office of Vital Statistics, Washington 25, D. C., reading as follows:

"The Board of Governors of the Federal Reserve System has accepted the invitation extended in your letter of May 25 to send a representative to the Second Inter-American Statistical Congress. Mr. Gerald Alter, a member of our Research Division's Latin American Section and alternate representative of Federal Reserve in the IASI, has been designated to attend the Statistical Congress.

"Mr. Alter, who will be en route to Santiago, Chile, plans to attend the Congress' sessions on financial and economic statistics and will participate primarily in Working Group No. IV. Mr. Alter will be unable to attend all of the sessions of the Congress, but he is planning to participate during the period from November 17-22, the period during which meetings are planned for the group on "economic and financial statistics."

Approved unanimously.

S. R. Carpenter
Secretary.

Approved:

Thomas B. McCabe
Chairman.