

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, November 23, 1949. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board  
Mr. Thomas, Economic Adviser  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Vest, General Counsel  
Mr. Nelson, Director, Division of Personnel Administration  
Mr. Millard, Director, Division of Examinations  
Mr. Young, Director, Division of Research and Statistics  
Mr. Solomon, Assistant General Counsel

Before this meeting there had been sent to each member of the Board a copy of a memorandum from Mr. Solomon dated November 9, 1949, with respect to an informal discussion which he and Mr. Baumann, Assistant General Counsel, had with representatives of the Bureau of Internal Revenue pursuant to the understanding at the meeting on October 18, 1949, regarding a possible arrangement between a Federal Reserve bank and an individual Reserve Bank president for an additional retirement payment outside the Retirement System of the Federal Reserve Banks, if the president retired after attaining age 65 and completing at least ten years service.

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The memorandum stated that the Bureau's representatives agreed that a contract could be devised for additional retirement payments to a Reserve Bank president without raising any problems in connection with the immunity of the Retirement System of the Federal Reserve Banks from taxation, but they indicated that there was a serious question whether a Reserve Bank president who retired under such an arrangement would not be taxable in the year he retired on the total present value of all the future payments he would be expected to receive under the agreement. The memorandum suggested that the Board request a definite ruling from the Bureau of Internal Revenue if it wished to go forward with plans for such agreements and submitted in that connection a draft of letter to the Chairmen of the Federal Reserve banks advising them that the Board proposed to request such a ruling and furnishing them with a statement of the possible plan and tentative outline of the essential provisions of a contract between a Reserve Bank and a president. At Chairman McCabe's request Mr. Carpenter read the draft of letter to the Chairmen of the Federal Reserve banks.

During the ensuing discussion, Mr. Evans raised the question whether the Board should approve an arrangement such as that proposed, stating that with the liberalization in the rules of the Retirement System of the Federal Reserve Banks approved May 6, 1949, he felt adequate allowances would be paid under the regular provisions of the Retirement System.

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Chairman McCabe stated that he felt an arrangement such as that proposed should be considered as a means of bringing better balance in retirement allowances that would be paid individual Reserve Bank presidents, some of whom because of long service would receive large retirement allowances while others, who had been brought into the System relatively late in life but who had given outstanding service to the System, would receive comparatively modest retirement allowances. He also felt that an arrangement such as the one proposed would assist in obtaining men to fill vacancies in the presidencies of the Reserve Banks in the future where suitable persons were not available from within the System.

There was a full discussion of the allowances that individual presidents who were now in service would receive under the regular provisions of the Retirement System of the Federal Reserve banks if they retired upon attaining age 65.

In the course of the discussion, Mr. Eccles expressed the view that inducements had been sufficient in the past to obtain, relatively late in life, some of the best Presidents which the System had, that in terms of pay and retirement allowances the inducements to accept the Presidency of a Reserve Bank compared favorably with inducements for outstanding men to accept membership on the Board of Governors, that retirement allowances for the

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Presidents were relatively large except in a few instances in which individuals had short terms of service, and that, for reasons which he discussed, he did not feel it would be desirable to establish a plan under which any President who retired after serving as little as ten years and attaining age 65 was virtually assured a retirement income of not less than \$10,000 a year. He went on to say that he would be entirely willing to consider supplemental allowances by the Federal Reserve Banks for Presidents who were approaching retirement in any individual case in which the directors of the Reserve Bank felt that the regular allowance was not appropriate in the light of all the circumstances surrounding the particular case, adding that he felt this was the case with Messrs. Peyton, Davis, Williams, and Erickson, Presidents of the Federal Reserve Banks of Minneapolis, St. Louis, Philadelphia, and Boston respectively.

Mr. Eccles also said that he did not think it desirable to establish a plan such as that proposed since it might give a special inducement to directors of the Reserve Banks to go outside the System to fill vacancies in the presidencies of the Banks, whereas the directors should attempt in so far as possible to develop younger men from within the System who would be able to fill such positions.

During a further discussion, it was the consensus that it



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would not be desirable to establish an arrangement which would provide for a President employed in the future and who was retired after attaining age 65, a minimum retirement income of \$10,000 a year after 10 years service, but all of the members of the Board indicated they would approve action which might be taken by the Boston, Philadelphia, St. Louis, and Minneapolis Reserve Banks to supplement the respective allowances of Presidents Erickson, Williams, Davis, and Peyton at the time of their retirement.

Chairman McCabe suggested that Messrs. Carpenter, Vest, and Nelson prepare drafts of letters to the Chairman of the Chairmen's Conference and to the Chairmen of the Boston, Philadelphia, St. Louis, and Minneapolis Banks setting forth the views of the Board as agreed upon at this meeting and submit the drafts for the consideration of the Board.

The foregoing suggestion  
was approved unanimously.

Mr. Evans stated that he would not be present when the above matter was finally acted on and that he would like to be recorded at this meeting as favoring action along the lines proposed.

Mr. Solomon withdrew from the meeting at this point.

There was then presented a draft of letter, a copy of

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which had been sent to each member of the Board before this meeting, to Mr. Davis, Chairman of the Presidents' Conference, prepared in response to his letter of November 9, 1949, and reading as follows:

"The Board has had an opportunity to consider the matters to which reference is made in your letter of November 9, 1949, and on which actions were taken at the recent meeting of the Presidents' Conference in San Francisco. The views of the Board with respect to each of the topics are set forth below and, where the desirability of such action is indicated, the Board will be glad to discuss the topics at the joint meeting of the Presidents and the Board to be held in December:

Practice of photographing outgoing country checks.

Following discussion of the report of the Committee on Collections regarding the practice of photographing all outgoing country checks, a practice followed by three Federal Reserve Banks, the Presidents agreed that the question was one that probably should be left with each Reserve Bank to be worked out with the Board in connection with its budget. It was the consensus of the Conference that pressure from city banks to adopt a similar practice should not necessarily result in any change in the existing practices of the other nine Reserve Banks. The Presidents concurred in the view that unless the Reserve Banks were free to experiment in areas such as the one under consideration, they might be denied opportunities to improve operating efficiency and decrease costs.

The Board subscribes heartily to the view that the Federal Reserve Banks should be constantly on the alert to improve operating procedures which will result in increased efficiency, and realizes that to do so at times naturally entails experimentation. The Board raised this question some months ago with the thought that there should be a determination whether, in the light of the experience of the banks which were not photographing all outgoing country checks, the expenditures of

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"the three banks which are doing so were justified. The Board cannot escape the feeling that there is still a question whether these expenses should be incurred, and, as suggested by the Presidents' action, will discuss the matter with the three banks concerned in connection with their budgets.

Acceptance of checks of \$10.00 or less drawn on nonpar banks in South Dakota for collection.

The Board notes the action of the Presidents' Conference in approving a recommendation of the Committee on Collections that Federal Reserve Banks should decline to accept for collection checks of \$10.00 or less drawn on nonpar banks in South Dakota. The Board has no objection to this procedure.

Plan proposed by Post Office Department for the issuance and collection of postal money orders.

It is also noted that the Presidents agreed in principle to the interim report on the above subject submitted by the Chairman of the Committee on Collections under date of October 14, 1949, with the understanding that the Committee would, at a later date, submit recommendations as to the details of contemplated procedure.

Restrictions on money shipments over Star Routes.

The Presidents approved the recommendation of the Insurance Committee that a representative of the Conference and of the Board, in conjunction with a committee appointed by the American Bankers Association to investigate the same subject, formally discuss with the Post Office Department the urgent need for a modification of the Department's present restrictions on money shipments. The Board has designated Mr. Leonard, Director of the Division of Bank Operations, as its representative to serve with the group.

Possible inclusion of Federal Reserve Bank employees under Social Security Program.

The Conference also approved recommendations to the effect that no steps should be taken by the Federal Reserve Banks to resist the inclusion of their employees in the Federal Social Security System as proposed in H.R. 6000 and that the Retirement

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"Committee of the Retirement System be requested to develop a plan for integrating the benefits under the Federal Reserve Retirement System with those under the Federal Social Security System. Since other Government employees who are covered by the Civil Service Retirement System and comparable retirement systems will not be taken into the Federal Social Security System, it is the Board's view that its employees should not be included in that System and the Board expects to take steps at an early date to seek an amendment to H.R. 6000 to exempt its employees. In so far as Federal Reserve Bank employees are concerned, the Board agrees that it is desirable for the Retirement Committee of the Retirement System to undertake to develop a plan for integration of the benefits under the Federal Reserve Retirement System and the Social Security System for consideration by the Presidents and the Board. It is the Board's feeling that the completion of the study of the problems of integration and the development of a definite plan are needed in considering the desirability of including Federal Reserve Bank employees in the Social Security System. Therefore, the Board believes that, in view of the legislative situation, it is important that this study be made without delay.

Group insurance and Retirement System active service death benefits.

The Board will interpose no objection to a continuation of the present group life insurance plans of the Federal Reserve Banks under present arrangements pending completion of studies with respect to active service death benefits under the Retirement System and possible inclusion of the Federal Reserve Bank employees under the Social Security program.

Meeting of bank and public relations personnel.

The Presidents have approved the holding of a meeting of the officers and others directly responsible for bank and public relations work at each of the Reserve Banks to work out plans and procedures with respect to future operations by the Committee on Bank and Public Relations and report any suggestions and recommendations to the Committee. In view of the importance of this subject, the Board would suggest that Mr. Thurston attend this meeting. It would also



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"suggest that, inasmuch as the Presidents' Conference Committee on Bank and Public Relations will be considering a number of matters in the months to come which will be of interest from the standpoint of the public relations of the System as a whole, Mr. Thurston be made an associate of that Committee and participate in its discussions.

Increase in fees for copies of national bank examination reports.

The Board approves the action recommended by the Committee on Bank Supervision regarding the proposed increase in fees for copies of national bank examination reports which was approved and adopted by the Conference. Accordingly, the Comptroller of the Currency will be advised that the payment for copies of examination reports of national banks will be increased from \$5 to \$10 for each report and, at the same time, an agreement will be reached for suitable standardization of the charge to be made for additional copies of such reports and reports of separate examinations of trust departments. All Presidents will be advised of the date upon which the \$10 fee will become effective and of the agreement reached as to fees for additional copies and for separate trust reports.

FDIC assessments and coverage and relations with the American Bankers Association.

In accordance with the suggestion of the Presidents, the Board will be glad to discuss these topics at the forthcoming joint meeting of the Presidents and the Board of Governors.

Increase in Reserve Bank capital accounts.

The Board is sending a telegram today to the Presidents of all of the Federal Reserve Banks suggesting that this matter be discussed at the forthcoming joint meeting of the Presidents and the Board and asking, in that connection, for their views on the question whether all or any part of the \$40 million set aside so far this year for transfer to reserves for contingencies should be restored to earnings.

Exchange by Federal Reserve Banks of copies of quarterly reports.



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"Eight of the Presidents (one being temporarily absent) did not favor the proposal that each of the Federal Reserve Banks distribute copies of its quarterly reports (S-953; FRLS #3949) to the other Federal Reserve Banks. The further discussion of the Presidents relating to the scope and character of the reports is noted and the Board will be glad to give further consideration to the matter at the time of the next joint meeting of the Board and the Presidents.

"The reports were undertaken as an experiment and in their development there has been a considerable departure from the original concept. They have been valuable for the Board's purposes and a study of the matter will be made before the joint conference. It is suggested that the Presidents also consider the purposes described in the Board's letter of January 27, 1947 (S-953) and the practical means of developing the desired information as well as the limitations on scope and character that may be desirable.

"Frequently reports of committees of the Presidents' Conference and other material are sent to the Presidents of all of the Federal Reserve Banks for consideration at the Presidents' Conference and the Board is not informed of the documents until the minutes of the Presidents' Conference are received. In some cases the reports and other material involve matters which call for action by the Board and it would be of considerable assistance to the Board and its staff if these documents could be sent to the Board at the time they are sent by the Chairmen of the committees or by the Banks to the other Federal Reserve Banks. With a view to getting the suggestions of the Presidents as to how this problem might be met, the Board would like to discuss it at the time of the forthcoming conference."

Upon motion by Mr. Evans,  
the letter was approved unanimously.

Mr. Clayton stated that when he was in San Francisco recently  
some of the directors of the Federal Reserve Bank of San Francisco

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suggested that, because of their value in public relations work and as branch directors, the Board consider reappointing Mr. Y. Frank Freeman, Director of the Los Angeles branch, and Mr. Henry A. Dixon, Director of the Salt Lake City branch, whose terms will expire at the end of this year. Mr. Clayton said that such action would require an exception to the Board's regulations relating to Federal Reserve Bank branches which provide that branch directors shall not be reappointed if such reappointment is to become effective within a period of two years immediately following six or more years of continuous service at any branch having five directors or within a period of three years at a branch having seven directors. He went on to say that the Personnel Committee discussed the matter at a meeting on November 16, 1949, and that, in view of the feeling of the Board that it was highly desirable that the principle of rotation be applied to head office directors, branch directors, and members of the Federal Advisory Council, the Committee reached the conclusion that it would not be desirable to depart from the present rule relating to terms of branch directors and that for this reason Messrs. Freeman and Dixon should not be reappointed.

Mr. Szymczak added that the Personnel Committee recommended that the present rule relating to branch directors not be changed and that no exception be made to it.

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The recommendation of the Personnel Committee was approved unanimously.

Reference was made to the suggestion offered at the meeting of the Federal Advisory Council with the Board on November 15, 1949, that when the Board undertook to formulate its views with respect to changes in the law relating to reserve requirements the Council be afforded an opportunity for full discussion of the matter with the Board. Consideration was given to the extent to which it was desirable to discuss legislative matters with the Federal Advisory Council in advance of preparation of the legislation and it was the consensus that no general rule could be adopted but that in the present instance it would be desirable to discuss the matter with the Council and possibly with the Executive Council of the American Bankers Association. It was suggested that the staff, in conjunction with the Presidents' Conference Committee on Banking and Credit Policy, prepare a current memorandum on the uniform reserve plan and information on how the plan would affect individual banks and that the material be completed so that copies could be made available to members of the Board for consideration not later than January 23, 1950.

The foregoing suggestion was approved unanimously with the understanding that a letter prepared for Chairman McCabe's signature would be sent to the President of the

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Federal Advisory Council  
in the following form:

"You will recall that at the meeting of the Federal Advisory Council and the Board on November 15, 1949, Mr. Congdon suggested that when the Board undertook to formulate its final views with respect to changes in the law relating to reserve requirements, the Council be afforded an opportunity for a full discussion of the matter with the Board. Some of the members of the Council thought that it would be desirable to devote the entire time of a meeting to such a discussion.

"Since the meeting with the Council, the Board of Governors has given the matter further consideration and would suggest that, if agreeable to the members of the Council, changes in the law with respect to reserve requirements be made the first item on the agenda for the joint meeting of the Council and the Board on February 21, 1950. It would be understood that the whole morning would be devoted to the discussion of that topic and that, if the members of the Council desired to discuss other matters, an afternoon session of the joint meeting would be held for that purpose.

"A committee of the staff of the Board of Governors and the Federal Reserve Banks has been requested to prepare a memorandum setting forth the proposals that might be made with respect to changes in reserve requirements and to develop information from which it can be determined how the proposals would affect individual banks. Copies of the memorandum would be sent to the members of the Council as much in advance as possible of the joint meeting.

"The Board will appreciate it very much if you will let me know whether this arrangement meets with your approval."

Secretary's Note: The foregoing  
letter was mailed under date of  
November 30, 1949.

Messrs. Sloan, Assistant Director, Division of Examinations,  
and Baumann, Assistant General Counsel, joined the meeting at this  
time.



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Before this meeting there had been circulated among the members of the Board a memorandum from Mr. Vest, dated November 14, 1949, reading as follows:

"For some time, the Board's staff has been considering the question whether a deposit of un-invested trust funds made by the trust department of a member bank in the same bank's banking department may properly be classified as a time deposit under Regulations D and Q where the deposit consists of co-mingled funds of various trust estates. The practice has developed principally among the larger trust companies in New York City where it has been followed primarily for the purpose of complying with requirements of State law that interest be paid on certain trust funds. However, the practice has also been adopted by some member banks in other parts of the country, apparently for the sole purpose of avoiding higher reserve requirements.

"In general, but with some variations, the New York trust companies determine the portion of total trust funds which they place on a time basis by consideration of the aggregate amount of trust funds which will probably be required to be disbursed within the next thirty or forty-five days; and no record is maintained of the dollar amount of each trust estate which is included in such time deposit. In practice, this means that all of the funds of any particular trust are available for disbursement at any time.

"The problem has proven to be one of considerable difficulty and a solution acceptable to all parties appears impossible. The Federal Reserve Banks are sharply divided in their attitude toward the problem.

"In November, 1948, the Board transmitted to the Federal Reserve Banks for their comments, a proposed ruling on the question which would have in effect permitted the practice being followed by the New York trust companies. Under that proposed ruling, a deposit of trust funds could be



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"considered as constituting a time deposit if the determination of the aggregate amount of trust funds placed in the time deposit were based on a current analysis of anticipated requirements for the disbursement of trust funds within the ensuing thirty to forty-five days. The ruling would not have required an identification of the dollar amount of each trust estate included in the account. In its letter, the Board stated that it seemed questionable whether a strict position requiring such identification was necessary or desirable from the standpoint of practical administration of large trust departments.

"This proposal met the approval of several of the Reserve Banks, including Boston and New York, but some of the other Reserve Banks felt strongly that the proposed ruling would have the effect of countenancing unsound trust practices.

"After further consideration of the problems, the Board in April 1949, submitted to the Reserve Banks for comment a different approach to the problem in the form of a proposed amendment to Regulation D which would in effect permit the deposit of co-mingled trust funds in a single time account only if the records of the bank show the dollar interest of each trust in that account. In making this proposal the Board stated that the previously proposed liberal ruling would seem to permit funds to be treated as time deposits which are in part, at least, in the nature of demand deposits, and that the practice in question would appear to violate principles of proper trust administration.

"Comments by the Federal Reserve Banks on the new proposal were again diverse. Boston and New York opposed the proposed amendment and Cleveland and Chicago felt that the amendment would be undesirable and that further study should be given the problem. On the other hand, eight of the Reserve Banks indicated their approval or raised no objection to the proposed amendment.

"It is believed that as a practical matter only two alternative solutions of the problem are possible. The Board might issue a ruling somewhat along the lines of the so-called liberal position suggested in

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"November 1948; or it might adopt a strict position as contemplated by the proposed amendment to Regulation D which was suggested in April 1949. The essential difference between the two positions is that an identification of the dollar interest of each trust estate in the time deposit would not be required under the liberal position but would be required under the strict position.

"If the so-called liberal position should be adopted, the practice now followed by the New York trust companies and by some other banks in other sections of the country would be permitted to continue. If the strict position were adopted, it appears that as a practical matter that practice would have to be discontinued since the larger trust companies maintain that it would be practically impossible for them to keep an exact record of the interests of all trust estates in such a time deposit.

"Whatever position is taken, it appears that the amount of deposits involved is not sufficient to have any very substantial effect upon total member bank reserves. It has been estimated that the maximum amount of reserves affected one way or the other would probably not exceed some \$75,000,000.

"Members of the staff of the Federal Reserve Bank of New York recently discussed this matter with us, strongly opposing the strict position, i.e., the amendment to the Regulation, and we have requests from representatives of banks in New York and Chicago for an opportunity to express their views orally to us in opposition to the strict position. It is understood that representatives of the Trust Division of the American Bankers Association will also wish to discuss the proposal before steps are taken to publish it in the Federal Register.

"The question is affected by legal considerations but it is essentially one of policy. The members of the Board's staff who have considered this matter are not altogether in agreement as to the best course of action. The proposal presently under consideration is whether the suggested amendment to the Regulation -- in other words, the strict position -- should be adopted, and in the circumstances, before taking any further steps, in this direction through discussions with outside parties, it seems desirable to have some tentative indication of the views of the Board in the matter."

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In commenting on the memorandum Mr. Vest stated that because of questions being presented to the Federal Reserve Banks and the Board as to whether the practice being followed by some trust companies, especially in New York, was permissible, he felt the time had come when the Board should take a position either in favor of a so-called "liberal" rule or of making it clear that a strict rule would be applied in connection with deposits of trust funds. He added that if the decision were for the adoption of some form of liberal rule such as that transmitted to the Reserve Banks for comment in November 1948 but to which some of the Reserve Banks objected, it would not be necessary to hold conferences with representatives of banks in New York and Chicago who had requested an opportunity to express their views orally in opposition to a restrictive ruling. Mr. Vest also commented that one of the principal questions was whether the way might be opened by adoption of the liberal ruling, for classification of some demand deposits as time deposits in order to reduce reserve requirements and that there was also involved the principle whether earnings from funds in individual trusts should be strictly accounted for and allocated to the beneficiaries of the trust.

Mr. Clayton stated that, for reasons which he set forth, it was not practicable to require large trust companies to maintain strict accounting for earnings from deposits consisting of co-mingled

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funds of various trust estates so that such earnings could be passed back to the beneficiaries of the trusts, that if a strict rule were applied it would in effect prohibit the present practice, and that he had come to the conclusion that the adoption of a liberal rule which would permit the practice now followed by some trust companies would be desirable, provided some safeguards could be worked out to prevent abuse through the shifting of substantial amounts of demand deposits into the time deposit category for the purpose of avoiding or reducing reserve requirements and of obtaining interest on funds which would not fully meet the usual definition of time deposits as provided in Regulation D.

During the discussion Chairman McCabe suggested that Mr. Clayton with the assistance of Messrs. Vest, Leonard, and Millard, study the matter with a view to adopting the so-called "liberal" rule if appropriate safeguards could be devised to prevent abuse.

Upon motion by Mr. Vardaman,  
Chairman McCabe's suggestion was  
approved unanimously.

Reference was then made to the discussion at the meeting on October 18, 1949, at which time the Board accepted a recommendation of the executive committee of the Chairmen's Conference that a meeting be held in Washington on January 16 and 17, 1950, at which, in addition to the Chairmen of all Federal Reserve Banks,



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there would be present the directors of the New York and Minneapolis Federal Reserve Banks and their branches. There was presented in this connection a tentative agenda for the meeting which had been prepared on the basis of suggestions submitted by the members of the Board, the Chairmen of the Federal Reserve Banks, and others, the general scope of which had been approved by the executive committee of the Chairmen's Conference.

The tentative agenda was discussed, and certain changes were suggested for the consideration of the executive committee of the Chairmen's Conference.

Consideration was then given a draft of letter to Mr. Frank Pace, Director, Bureau of the Budget, prepared in response to that portion of the President's letter to the Board dated September 26, 1949, requesting that the Board submit through the Budget Bureau a report on the legislative program of the Federal Reserve System. Before this meeting each member of the Board had been furnished with a copy of the draft reply reading as follows:

"This is in response to that portion of the President's letter to the Board of September 26, 1949, requesting that the Board submit through your Office a report on the legislative program of the Federal Reserve System. As requested in the President's letter, the following report includes a restatement of the preliminary legislative program set forth in the Board's letter to you of September 22, 1949, in response to your Bulletin No. 50-5, as well as some additional legislative proposals which the Board has in mind as possibilities for recommendation.



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"Bank Holding Company Regulation. - The Board has heretofore recommended the desirability of enacting legislation to provide more effective regulation of bank holding companies and to curb abuses in that field. Bills for this purpose (S. 829 and H.R. 3351) were introduced during the 80th Congress and the Senate Bill was favorably reported by the Senate Banking and Currency Committee (Report No. 300, June 19, 1947). Since that time, the details of the proposed legislation have undergone an intensive review, as the result of which bills similar in objectives but with some changes (S. 2318 and H.R. 5744) have been introduced in the present Congress. Legislation along the lines of the bills introduced in the 80th Congress was favored by the Federal Advisory Council, the Association of Reserve City Bankers, and the two independent bankers associations, as well as by the majority of the larger bank holding companies. This matter has been discussed from time to time with the Treasury Department and the Federal Deposit Insurance Corporation.

"Capital Requirements of State Member Banks of the Federal Reserve System. - In its recent Annual Reports to Congress, the Board has called attention to the substantial and unnecessary obstacle to membership in the Federal Reserve System resulting from certain statutory capital requirements for admission of State banks to membership and for the establishment of out-of-town branches of State member banks. The Board has recommended that these requirements be eliminated or substantially modified and bills to accomplish this purpose have been introduced in the present Congress as S. 2494 and H.R. 5749. The subject matter of this legislation is of interest to the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

"Purchase of Government Securities Directly from Treasury. - By the Act of April 28, 1947, the temporary authority of the Federal Reserve Banks to purchase Government securities directly from the United States, subject to an aggregate limitation of \$5,000,000,000 on the amount which may be held at any one time, was extended until June 30, 1950. This authority has proved a useful means of effecting temporary adjustments in the money market and of facilitating Treasury operations; and the Board will wish to recommend legislation further to extend this authority. This matter is one which is

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"of interest to the Treasury Department.

"Limitation on Federal Reserve Branch Buildings. -

The present law limits the aggregate amount of expenditures for Federal Reserve branch bank buildings to \$10,000,000 (with certain exclusions). Many of the branches of the Federal Reserve Banks need larger or improved quarters for the effective performance of their functions, and this need cannot be adequately met within the present statutory limitation. Accordingly, the Board will wish to propose that this limitation be removed or modified.

"Consumer Instalment Credit. - The authority to regulate consumer instalment credit, which was enacted in August 1948, expired on June 30, 1949. This authority has proved to be a useful tool, supplementary to reserve requirements and other available instruments, to influence credit conditions in the interest of economic stability. The Board has previously recommended continuation of this authority and it may wish to renew the recommendation.

"Financing of Business Enterprises.- The Board has heretofore recommended legislation to enable the Federal Reserve Banks to assist in the financing of business enterprises, particularly small businesses, on a more effective basis than now permitted under section 13b of the Federal Reserve Act. A bill to accomplish this purpose (S. 408) was reported favorably by the Senate Banking and Currency Committee in the 80th Congress and a companion bill (H.R. 3268) was introduced in the House. No bills on this subject are pending in the present Congress, but the Board may desire to offer a specific proposal at a later date.

"Bank Reserve Requirements. - The general subject of bank reserve requirements is being studied by the Board with a view to a possible recommendation of a revision of existing law on this subject to provide a system of bank reserves which would apply to all commercial banks, or at least to all banks having the benefits of Federal deposit insurance, and which in addition to authorizing the Board to vary reserve requirements within specified limits would base differences in reserve requirements on the nature of deposits rather than on the location of banks. While the Board does not have a specific recommendation to

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"make at this time, it may later wish to submit a proposal to Congress on this subject.

"While there may be other matters with respect to which the Board will later find it desirable to recommend some action by Congress during the forthcoming session, the subjects mentioned above embrace the principal matters in the field of possible legislative action to which the Board is now giving consideration."

Following a discussion, the letter was approved unanimously.

Chairman McCabe stated that in response to his letter of November 4, 1949, to Mr. Paul G. Hoffman, Class C director of the Federal Reserve Bank of Chicago whose term of office expires at the end of this year, he had received word from Mr. Hoffman that he would be unable to accept reappointment as a director of that Bank and that it would be necessary for the Board to choose a successor.

At this point Messrs. Thomas, Leonard, Vest, Nelson, Millard, Young, Sloan, and Baumann 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 November 22, 1949, were approved unanimously.

Letter prepared in accordance with action taken by the Board on September 27, 1949, to Mr. Young, Director of the Division of Research and Statistics, reading as follows:

"The Board hereby authorizes you, in your capacity

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"as Director of the Division of Research and Statistics to proceed to Santiago, Chile, as the head of the Federal Reserve delegation to the second conference of central banks of the western hemisphere. En route to and from Santiago you are to stop in Rio de Janeiro, Brazil, Buenos Aires, Argentina, and Lima, Peru, to make brief calls on the central banks of those countries.

"While you are absent from Washington, your actual necessary transportation expenses in accordance with the Board's travel regulations, charges for flight insurance, a per diem in lieu of subsistence at the rate of \$12.00, and an additional amount not to exceed \$500 to cover other expenses of the delegation, including necessary entertainment, without however requiring detailed itemization of the vouchers or the furnishing of receipts, will be paid from funds under control of the Board.

"It is requested that you retain the original of this letter, and that the file copy, after being initialed by you, be returned to the Board's files."

Memoranda from the heads of the Divisions indicated below recommending appointments to the staff in those divisions, effective as of the dates upon which the appointees enter upon the performance of their duties after having passed the usual physical examination:

<u>Date of Memo</u>	<u>Name</u>	<u>Title</u>	<u>Salary</u>	<u>Duration of Appointment</u>
11/21/49	Mrs. Joan N. Yamamoto	Clerk-typist	\$2,450	Temporary (Indefinite)
11/22/49	Miss Ruby Williams	Clerk	2,450	Temporary (Three months)

Approved unanimously.

Memorandum dated November 22, 1949, from Mr. Young, Director of the Division of Research and Statistics, recommending that the voucher submitted by Professor E. A. Kincaid of the University of



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Virginia in connection with the talk he gave before the System Research Advisory Committee and the Subcommittee of the Presidents' Conference Committee on Research and Statistics on November 14, 1949, be approved for payment as submitted.

Approved unanimously.

Memorandum dated November 18, 1949, from Mr. Young, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Betty S. Meyer, a clerk in that Division, be accepted to be effective, in accordance with her request, at the close of business November 15, 1949.

Approved unanimously.

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

"In accordance with the requests contained in your letters of November 16, 1949, the Board approves the appointments of Robert Elkin Zimmerman and Thomas Royce Sullivan, at present assistant examiners, as examiners for the Federal Reserve Bank of Dallas. Please advise us of the dates upon which the appointments become effective and also as to salary rates."

Approved unanimously.

Letter to Mr. Logan, Vice President and General Counsel, Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 10, 1949, submitting the request of 'Manufacturers and Traders Trust Company', Buffalo, New York, for approval of the establishment of a branch in Lockport, New York,



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"in connection with the proposed absorption through merger of the Lockport Exchange Trust Company.

"In view of your recommendation the Board of Governors approves the establishment and operation of a branch in Lockport, New York, by the Manufacturers and Traders Trust Company, Buffalo, New York, provided the merger with the Lockport Exchange Trust Company is effected substantially in accordance with the plan submitted; the prior approval of the appropriate State authorities is obtained, and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the proposed merger and establishment of the branch."

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of November 15, 1949, submitting a request of 'The Marine Trust Company of Buffalo', Buffalo, New York, for permission to commence operation of a branch office in the Town of Tonawanda, New York, in temporary quarters with the understanding that when permanent quarters have been erected on a lot now owned by the trust company, this branch will be moved to such permanent quarters. Information submitted by the bank indicates that the temporary quarters are located approximately 425 feet from the site of the proposed permanent quarters.

"In view of your recommendation, the Board will interpose no objection to the proposal as submitted, conditioned upon approval being obtained from the appropriate State authorities, if required, and with the understanding that counsel for the Federal Reserve Bank is to be satisfied as to the legality of all steps taken in establishment of the branch in temporary quarters and its subsequent removal to the permanent quarters when they are ready for occupancy."

Approved unanimously.

Letter to the board of directors of "The Hartford-Connecticut

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Trust Company", Hartford, Connecticut, stating that subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H the Board approved the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Boston.

Approved unanimously, together with a letter to Mr. Erickson, President of the Federal Reserve Bank of Boston, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Hartford-Connecticut Trust Company', Hartford, Connecticut, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Connecticut, for his information.

"Enclosed is a letter approving the retention and operation of the out-of-town branches established since 1927 and now operated by the bank which you are requested to forward to the board of directors of the applicant bank. There is also enclosed a copy of this letter for your files.

"With respect to the nonconforming savings accounts listed in the report of examination for membership, exceptions noted regarding interlocking bank directorates under the Clayton Act involving five trustees of the subject institution, and the requirement that executive officers of the bank file with the board of trustees reports of their outstanding indebtedness with other banks, it is assumed that you will follow to a satisfactory conclusion the matter of bringing such items into conformity with the law and the Board's regulations."

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Letter to the board of directors of "The Hartford-Connecticut Trust Company", Hartford, Connecticut, reading as follows:

"In connection with the approval of your application for membership in the Federal Reserve System, the Board of Governors of the Federal Reserve System approves the retention and operation of the branches now operated in East Hampton, Meriden, Middletown, Moosup, Rockville, Stafford Springs, Norwich, West Hartford and Wethersfield, all in Connecticut, by The Hartford-Connecticut Trust Company, Hartford, Connecticut."

Approved unanimously together with a letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of November 15, 1949, submitting the request of 'The Hartford-Connecticut Trust Company', Hartford, Connecticut, for approval of the establishment of two branches in Winsted, Connecticut, in connection with the proposed absorption of the Hurlbut National Bank and the First National Bank, both of Winsted, Connecticut.

"In view of your recommendation, the Board of Governors approves the establishment and operation of two branches in Winsted, Connecticut, by the Hartford-Connecticut Trust Company, Hartford, Connecticut, provided the proposed absorptions of the Hurlbut National Bank and First National Bank are effected substantially in accordance with the plan submitted and the prior approval of the appropriate State authorities is obtained; and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of the steps taken to effect the absorptions and establish the branches."

Letter to Mr. Emil Schram, President of the New York Stock Exchange, 11 Wall Street, New York 5, New York, reading as follows:

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"Another count of the number of margin accounts held by member firms of the New York Stock Exchange, as of December 31, 1949, would be of interest and value to the Board. As you know, the Exchange has made such surveys on several past occasions, including June 30, 1949, and has kindly informed us of the results.

"If you feel, as we do, that this figure would be of interest and value also to the Exchange, we should appreciate your cooperation in sending us this information."

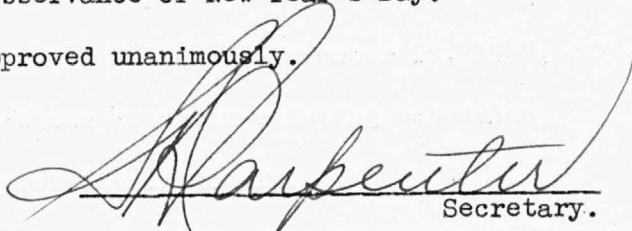
Approved unanimously.

Memorandum dated November 21, 1949, from Mr. Hammond, Assistant Secretary of the Board, reading as follows:

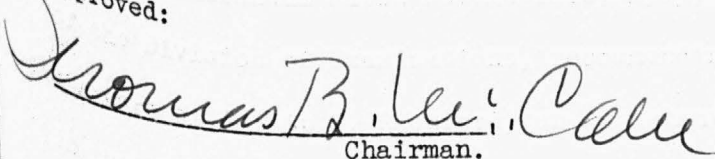
"Christmas Day, December 25, and New Year's Day, January 1, are statutory holidays, and this year they fall on Sunday. Under the terms of an Executive Order of October 3, 1945, when these holidays fall on Sunday, the succeeding Monday is to be observed as a holiday by all the Government Departments.

"Accordingly, if the Board interposes no objections, it is planned to inform the Federal Reserve Banks that the Board's offices will be closed on Monday, December 26 in observance of Christmas, and on Monday, January 2, in observance of New Year's Day."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.