

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 15, 1949. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Corkhum, Minutes Clerk
 Mr. Morrill, Special Adviser
 Mr. Thurston, Assistant to the Board
 Mr. Riefler, Assistant to the Chairman
 Mr. Thomas, Economic Adviser
 Mr. Leonard, Director, Division of Bank Operations
 Mr. Vest, General Counsel
 Mr. Nelson, Director, Division of Personnel Administration
 Mr. Bethea, Director, Division of Administrative Services

Mr. Szymczak referred to a memorandum from the Personnel Committee dated December 2, 1949, recommending appointments of certain Class C directors, Chairmen, Deputy Chairmen, and branch directors at Federal Reserve Banks and branches for terms beginning January 1, 1950. Copies of the memorandum had been sent to all members of the Board for their consideration before this meeting. Mr. Szymczak also referred to discussions of the Personnel Committee with respect to the reappointment of several other Class C directors whose names were not included in the memorandum dated December 2, 1949.

There followed a discussion of the desirability of adopting a plan of rotation among Class C directors, including the Chairmen,

12/15/49

-2-

during which it was suggested that if such a policy were to be adopted, it should be announced at some time other than at the year-end when terms of many of the directors and designations of all of the Chairmen and Deputy Chairmen were expiring. In this connection, Mr. Vardaman stated that he felt strongly that consideration should be given to some plan whereby the Chairmanship at a Federal Reserve Bank would be rotated among the Class C directors of the Bank and that later he would ask the Board to discuss the matter.

The recommendations of the Personnel Committee as presented in the memorandum dated December 2, 1949, and by Chairman McCabe and Mr. Szymczak at this meeting with respect to the appointment of Class C directors, Chairmen, Deputy Chairmen, and branch directors were discussed and actions were taken by the Board as set forth below. All of the actions were by unanimous vote with the exception of the designation of Mr. Russell L. Dearmont as Chairman and Federal Reserve Agent at the Federal Reserve Bank of St. Louis for the year 1950. On the designation of Mr. Dearmont, Mr. Vardaman voted "no":

The following were appointed as Class C directors of the respective Federal Reserve Banks shown, each for a term of three years, beginning January 1, 1950:

<u>Name</u>	<u>Federal Reserve Bank</u>
Harold D. Hodgkinson	Boston
Warren F. Whittier	Philadelphia
George C. Brainard	Cleveland
J. Brockenbrough Woodward, Jr.	Richmond
Rufus C. Harris	Atlanta
Russell L. Dearmont	St. Louis
Robert B. Caldwell	Kansas City
J. R. Parten	Dallas
Brayton Wilbur	San Francisco

12/15/49

-3-

The following were designated as Chairmen and Federal Reserve Agents at the respective Federal Reserve Banks shown for the year 1950 and the compensation of each as Chairman and Federal Reserve Agent was fixed on the uniform basis for the same position at all Federal Reserve Banks; i.e., the same amount as the aggregate of the fees payable during the same period to any other director for attendance corresponding to his at meetings of the board of directors, executive committee, and other committees of the board of directors:

<u>Name</u>	<u>Federal Reserve Bank</u>
Albert M. Creighton	Boston
Robert T. Stevens	New York
Warren F. Whittier	Philadelphia
George C. Brainard	Cleveland
Charles P. McCormick	Richmond
Frank H. Neely	Atlanta
Franklin J. Lunding	Chicago
Russell L. Dearmont	St. Louis
Roger B. Shepard	Minneapolis
Robert B. Caldwell	Kansas City
J. R. Parten	Dallas
Brayton Wilbur	San Francisco.

The following were appointed as Deputy Chairmen of the respective Federal Reserve Banks for the year 1950:

<u>Name</u>	<u>Federal Reserve Bank</u>
Harold D. Hodgkinson	Boston
William I. Myers	New York
C. Canby Balderston	Philadelphia
A. Z. Baker	Cleveland
J. Brockenbrough Woodward, Jr.	Richmond
Rufus C. Harris	Atlanta
William H. Bryce	St. Louis
Robert L. Mehornay	Kansas City
R. B. Anderson	Dallas
Harry R. Wellman	San Francisco

The following were appointed as directors

12/15/49

-4-

of the respective branches of the Federal Reserve Banks shown, each for a term of three years beginning January 1, 1950:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Sidney A. Swensrud	Pittsburgh
L. Vinton Hershey	Baltimore
W. A. L. Sibley	Charlotte
Thad Holt	Birmingham
Howard Phillips	Jacksonville
W. Bratten Evans	Nashville
E. O. Batson	New Orleans
Smith D. Broadbent, Jr.	Louisville
Hugh M. Brinkley	Memphis
Hiram S. Corbett	El Paso

The following were appointed as directors of the respective branches of the Federal Reserve Banks shown, each for a term of two years beginning January 1, 1950:

<u>Name</u>	<u>Federal Reserve Bank Branch</u>
Ben R. Marsh	Detroit
Cecil W. Cotton	Oklahoma City
Joseph W. Seacrest	Omaha
Aaron M. Frank	Portland

At this point Messrs. Myrick, Assistant Director, Division of Bank Operations, and E. J. Johnson, Technical Assistant, Division of Bank Operations, joined the meeting.

Reference was made to the 1950 budgets of the Federal Reserve Banks, copies of which had been sent to the members of the Board before this meeting with a memorandum prepared in the Division of Bank Operations under date of November 4, 1949, and revised on November 29, 1949.

Mr. Vardaman stated that he would recommend that the Board

12/15/49

-5-

accept the Reserve Bank budgets as a basis for operation, but that it set aside an entire day for a meeting at which it would consider the budgets in detail. In response to a question from Mr. Szymczak, Mr. Vardaman added that he did not wish to call attention to any specific items in the budgets at this time, but that there was a further general increase in the budget totals and that if the Board wished to take the budgets up at a special meeting, he would review them prior to that time with Mr. Leonard's assistance and submit to the members of the Board the items which he felt should be considered and his recommendations with respect to them.

In this connection, reference was made to the budget covering the expenses of the Board for 1950, a copy of which was sent to each member of the Board on December 1, 1949, and to the recommendation in a memorandum from the Personnel Committee dated December 7, 1949, that the budget be approved as submitted. The memorandum from the Personnel Committee also stated that in accordance with the action taken by the Board on June 28, 1949, the Personnel Committee considered the budget for the year 1949 at meetings during September and October analyzing expenditures during the first half of 1949 and studying the procedure to be followed in preparing and submitting the budget for 1950, and that a review of expenditures during the first half of 1949 and an examination of the budget proposed for 1950 had disclosed no matters which, in the opinion of the Committee, called for special

12/15/49

-6-

consideration or question by the Board.

Mr. Vardaman stated that he would not be willing to approve the Board's budget at this time and suggested that it be accepted as a basis for operation, with the understanding that it would be considered in detail at the same meeting at which he had suggested the Reserve Bank budgets be considered.

In the ensuing discussion, it was suggested that the entire day of Thursday, January 19, 1950, be set aside for consideration of the budgets of the Board and the Federal Reserve Banks and that final action on the budgets be taken at that time.

Thereupon, upon motion by Mr. Szymczak, (1) the foregoing suggestion was approved unanimously, with the understanding that the Federal Reserve Banks would be advised by letter that their budgets for the year 1950 were accepted subject to further review by the Board, and (2) the budget of the Board as set forth below was approved tentatively with the understanding that (a) it be used as a basis for making an assessment of the Federal Reserve Banks to cover the expenses of the Board for the first half of 1950, (b) the various divisions and offices of the Board be authorized to operate beginning January 1, 1950, on the basis of the budget as submitted, and (c) contracts which ordinarily would be negotiated on an annual basis during the period prior to January 19, 1950, would be executed with advice to the contractors that the contracts would be subject to reconsideration and adjustment:

"BUDGET

For the Year Ending December 31, 1950

12/15/49

-7-

PERSONAL SERVICES

Salaries	\$2,534,964
Retirement Contributions	<u>198,600</u>
Total Personal Services	\$2,733,564

NON-PERSONAL SERVICES

Traveling Expenses	205,350
Postage and Expressage	10,860
Telephone and Telegraph	72,700
Printing and Binding	153,175
Stationery and Supplies	28,600
*Furniture and Equipment	48,180
Books and Subscriptions	13,120
Heat, Light, and Power	36,000
Repairs and Alterations (Building and Grounds)	18,200
Repairs and Maintenance (Furniture and Equipment)	7,450
Medical Service and Supplies	1,750
Insurance	4,700
Miscellaneous	230,375
Consumer Finances Surveys	145,300
Cafeteria (Net)	38,000
**Legal and Consultant Fees	20,550
Production of Films--F.R.S.	---
All Other	26,525
Total Non-Personal Services	<u>830,460</u>

GRAND TOTAL	\$3,564,024
-------------	-------------

*Includes rental of equipment.

**Includes fees and expenses of outside counsel and architectural consultants.

At this point Messrs. Myrick and Johnson left the meeting.

Reference was then made to a draft of letter to Mr. Joseph J. Lawler, Third Assistant Postmaster General, Washington, D. C., with respect to a proposal of the Post Office Department for the inauguration

12/15/49

-8-

of a new plan for the issuance and collection of postal money orders through the Federal Reserve Banks.

Mr. Vardaman stated that although the Federal Advisory Council favored the proposal when it was discussed at a meeting with the Board on September 20, 1949, he questioned the desirability of such an arrangement which would further invade the field of private commercial banking. In that connection, he suggested that before the proposed letter was mailed, inquiry be made as to whether it might be desirable for the Post Office Department to authorize commercial banks to issue postal money orders.

In the discussion that followed it was suggested that Mr. Leonard take up with representatives of the American Bankers Association who had participated in the development of the new plan for issuance and collection of postal money orders, the question whether they felt it would be desirable to authorize commercial banks to issue such money orders.

The foregoing suggestion was approved unanimously, with the understanding that in the absence of objection from the representatives of the American Bankers Association, the letter to Mr. Lawler would be mailed.

Secretary's Note: Mr. Leonard reported to the Secretary's office that he had discussed this matter with Mr. James H. Kennedy of the Bank Management Commission of the American Bankers Association on December 22, 1949, who stated

12/15/49

-9-

that the suggestion for authorizing commercial banks to issue money orders might well be considered but that it was a question which should be handled separately from the adoption of the proposed plan for improved handling of money orders through the Federal Reserve Banks. This information had been presented to Mr. Vardaman who then approved the letter to Mr. Lawler in the following form:

"Reference is made to the proposal of the Post Office Department for the inauguration of a new plan for the issuance and collection of postal money orders as more fully outlined in your letter of August 10, 1949 to Mr. R. F. Leonard, Director of the Board's Division of Bank operations.

"As you know, this matter was discussed at a meeting of the Committee on Collections of the Conference of Presidents held in Washington on October 10, 1949, at which Messrs. Wentzel and Stine of the Post Office Department were present. At that meeting the Committee advised the representatives of your Department that it would recommend that the Federal Reserve Banks perform the operations specified below without reimbursement of expenses, with the probable exception of shipping costs:

- (1) 'That the Federal Reserve Banks accept postal money orders from their member and nonmember clearing banks, as cash items for immediate credit, provided the Post Office Department would arrange to pay the Federal Reserve Banks for such items in immediately available funds on the same day that credit is given their member and nonmember clearing banks. The representatives of the Post Office Department were told that it would be preferable for the amount of such items to be charged daily in the Treasurer's General Account under a special symbol.
- (2) 'That the Federal Reserve Banks sort such money orders according to the regional offices of the Post Office Department printed on the orders and dispatch them to the respective regional offices or to any other destination that the Post Office Department might designate.'

12/15/49

-10-

"With reference to the suggestion by the Post Office Department that Federal Reserve Banks punch the amount and month of issuance on money orders received by them before the money orders were dispatched to the destination designated by the Post Office Department, the Committee explained that the Federal Reserve Banks and branches generally do not have punch card equipment available for this operation and it would, therefore, be necessary for all or most of them to acquire new equipment for this purpose. In addition, some of the Reserve Banks and branches would not have floor space necessary for the operation. It was also pointed out that in addition to charges for personnel, space and equipment, there would be substantial charges for general service and overhead. In view of these conditions, the Committee pointed out to your representatives that it would appear to be more feasible for the Post Office Department to centralize the equipment and personnel for this operation in the relatively few offices of the Post Office Department, and the representatives of the Department were told that the Committee would not recommend that the Federal Reserve Banks perform any punching or tabulating operations.

"At its recent meeting the Conference of Presidents indicated approval of the handling of money orders by the Federal Reserve Banks along the lines recommended by the Committee on Collections which, as stated above, does not provide for any card punching operation on the part of the Federal Reserve Banks. The Presidents referred the matter back to the Committee with instructions to submit a detailed program for consideration.

"The Board understands that the Committee on Collections will await further advice from the Post Office Department as to the program. In this connection, Mr. Leonard, who is an Associate Member of the Committee, will be glad to pass on to the Chairman of the Committee, Mr. Willis, Vice President, Federal Reserve Bank of New York, any comments or suggestions which you may care to submit regarding such a program or to arrange for another informal discussion between the Committee on Collections and representatives of the Post Office Department if this should be thought desirable."

There was then presented a draft of letter to Mr. Porter Hardy, Jr., Chairman, Government Operations Subcommittee of the Committee on Expenditures in the Executive Department in the House of Representatives, reading as follows:

12/15/49

-11-

"This is in response to your letter of October 19, 1949, addressed to Chairman McCabe, regarding the passenger automobiles operated by the Board of Governors of the Federal Reserve System in Washington, D. C. We are pleased to answer the questions asked in your letter in the order stated.

"1. The Board's passenger automobiles are authorized to be used for official purposes by the seven members of the Board, the Assistant to the Board, the Assistant to the Chairman, the Special Adviser to the Board, the Economic Adviser to the Board, the heads of the eight divisions constituting the Board's organization, and the ten assistant heads of such divisions. In addition, upon specific authorization from, or pursuant to special arrangement approved by, any of the above officers, members of the Board's staff are permitted to use the Board's cars when such use is justified in particular circumstances by the requirements of the Board's business.

"2. The principal factors which make use of the Board's passenger automobiles preferable to the use of public transportation are the following: (a) Because of the location of the Board's building, the availability of taxi and street car service is limited, particularly at certain hours. (b) It is frequently necessary for members of the Board or of the Board's staff to meet a close schedule in attending meetings and conferences away from the Board's building and the delay and uncertainty which would be involved in use of public transportation, particularly in urgent cases, would interfere with the efficient performance of the Board's functions. (c) On numerous occasions during the year, meetings of the Federal Advisory Council, the Presidents of the Federal Reserve Banks, and other officials of the Federal Reserve System are held in the Board's building and on such occasions the Board frequently endeavors, on very short notice, to make transportation facilities available to the officials attending these meetings to the extent permitted by the cars available.

"3. Automobiles may be purchased only upon the express authorization of the Board. The Board's written instructions regarding the use of such automobiles provide that they shall not be used for any non-official purpose at any time. The control of the operation and maintenance of the cars during official working hours is the responsibility of the Director of the Division of Administrative

12/15/49

-12-

"Services. Whenever occasion arises for the use of an automobile by a member of the Board for official business after working hours, the car is subject to the control of that member.

"4. To the greatest extent possible, efforts are made to combine the use of the Board's cars. Thus arrangements are frequently made so that a single car will suffice to accommodate several members of the Board's staff who are required by their official duties to make trips to different places in the city. At times, when Board cars are not available, members of the staff use their own automobiles. By these means, it has been possible to keep the number of cars owned by the Board at a minimum.

"5. The convenience to authorized users of the Board's cars and the time thereby saved in the performance of the Board's functions are clearly proportionate to the cost of ownership, operation, and maintenance of such cars. Every effort is made to maintain close control over such costs.

"6. While the details of a plan for taxi transportation provided by the Government are not clear, it is our feeling that, for the reasons stated in the answer to question 2, any such plan is not likely to be as practicable or efficient in connection with the Board's operations as the system now being followed.

"As you are probably aware, the Board's funds are not appropriated by Congress and are not deemed to be Government monies. Under the law, the expenses of the Board are met by semi-annual assessments levied by the Board upon the twelve Federal Reserve Banks.

"We trust that this information will be of assistance to you and to your Subcommittee in your study of this matter."

Approved unanimously, together
with the following letter to Senator
Andrew F. Schoeppel, Committee on
Expenditures in the Executive Department
of the United States Senate:

"This is in response to your letter of November 3, 1949, addressed to Chairman McCabe regarding the passenger automobiles operated by the Board of Governors of the Federal Reserve System. Inasmuch as the Board's funds are

12/15/49

"not appropriated by Congress but are derived by assessments against the Federal Reserve Banks and are expressly declared by law not to be Government funds or appropriated moneys, the question arose as to whether, in view of this situation, it was your intention to include the Board in the investigation which Mr. Albright of your staff is making for you. Accordingly, a representative of the Board discussed this matter with Mr. Albright, and in accordance with his suggestion, we are furnishing information which we furnish annually to the Bureau of the Budget, and in addition the information you requested concerning the Board's chauffeurs and a statement concerning the use of the Board's automobiles. The answers concern only automobiles used in the greater Washington area since the Board does not own or operate automobiles based outside of the city.

"The automobiles used by the Board of Governors of the Federal Reserve System are:

- Dodge 4-door sedan, 1942
- Chrysler Royal Limousine, 1942
- Plymouth station wagon, 1947
- Cadillac Limousine, 1947
- Cadillac 4-door sedan, 1948

"The Board's five automobiles were operated a total of 23,382 miles during the fiscal year ending June 30, 1949.

"Total maintenance and operation costs for the five automobiles during this same period:

Maintenance (repairs, parts, and labor)	\$331.71
Operation (gasoline, oil, tires, tubes, anti-freeze)	667.55
Total	\$999.26

"The automobiles averaged 10.4 miles per gallon of gasoline during this same period.

"The five automobiles are garaged and serviced at the Federal Reserve Building, 20th Street and Constitution Avenue, Washington, D. C.

"Information concerning the Board's drivers:

(A) Name	(B) Title	(C) Extent of Driver's License
(1) Mr. J. Frank Bell	Head Chauffeur	District of Columbia
(2) Mr. William Gardner	Chauffeur	Motor Vehicle Operator's
(3) Mr. C. E. Crowell	Chauffeur	Permit
(4) Mr. Howard W. Stull	Chauffeur	

(D) Hours per Day Driving	(E) Daily Working Hours
(1) 8 hours. Full time.	8:45 a.m. - 5:15 p.m.
(2) 8 hours. Full time.	9:30 a.m. - 6:00 p.m.
(3) 8 hours. Full time.	8:00 a.m. - 4:30 p.m.
(4) 8 hours. Full time.	9:00 a.m. - 5:30 p.m.

12/15/49

"(each man received 1/2 hr. lunch period)

"The Board's passenger automobiles are authorized to be used for official purposes by the seven members of the Board, the Assistant to the Board, the Assistant to the Chairman, the Special Adviser to the Board, the Economic Adviser to the Board, the heads of the eight divisions constituting the Board's organization, and the ten assistant heads of such divisions. In addition, upon specific authorization from, or pursuant to special arrangement approved by, any of the above officers, members of the Board's staff are permitted to use the Board's cars when such use is justified in particular circumstances by the requirements of the Board's business.

"To the greatest extent possible, efforts are made to combine the use of the Board's cars. Thus, arrangements are frequently made so that a single car will suffice to accommodate several members of the Board's staff who are required by their official duties to make trips to different places in the city. At times, when Board cars are not available, members of the staff use their own automobiles. By these means, it has been possible to keep the number of cars owned by the Board at a minimum.

"We trust that this information will be of assistance to you and to your Committee in your study of this matter."

Chairman McCabe stated that in accordance with the discussion at the meeting on October 18, 1949, some of the members of the Board met with the Executive Committee of the Retirement System on December 14, 1949, to discuss the administration of investments of the Retirement System at which time the views of the Board were thoroughly presented.

Mr. Carpenter said that he understood that following the joint meeting, the Executive Committee at its separate meeting on December 14, 1949, approved the recommendations of the Investment Committee of

12/15/49

-15-

the Retirement System 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, and 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 and negotiate a new contract with the Trust Company for that purpose.

In the ensuing discussion Chairman McCabe suggested that in the circumstances and in the light of the discussion at the joint meeting, the executive committee of the Retirement System be advised

- (1) that the Board is still of the opinion that the arrangement with the Northern Trust Company should be terminated and that the Retirement System should employ a qualified individual as an investment manager who would work under the direction of the investment committee, and
- (2) that the Board would accept temporarily the action taken at the meeting of the executive committee on December 14, 1949, but that it was requested that the committee make a thorough investigation of the feasibility and desirability of obtaining the services of a competent investment manager and submit a report thereon prior to the annual meeting of the Board of Trustees of the Retirement System in the spring of 1950 so that a final decision on the matter could be reached at that time.

At the conclusion of the discussion, Chairman McCabe's suggestion was approved unanimously.

Thereupon all of the members of the staff, with the exception of

12/15/49

-16-

Mr. Carpenter, withdrew from the meeting.

Reference was made to the recommendation approved by the Board on December 13, 1949, that the arrangement under which Carl E. Parry is employed as a consultant to the Board on a part-time basis be extended through December 21, 1949. Mr. Vardaman had voted "no" on this action and the matter was on the docket at his request.

Following a statement by Chairman McCabe that the extension of Mr. Parry's services was desirable so that he might finish the work which he was doing on a draft of a possible directive pursuant to the request which Senator Douglas made of Chairman McCabe during the hearings before the Douglas Sub-committee of the Joint Committee on the Economic Report, Mr. Vardaman expressed the opinion that staff work of this kind should be done by the Board's regular staff and not by temporary employees. He had no objection to adding Mr. Parry to the permanent staff if that should be the Board's decision, but he did not favor his employment on a temporary basis.

The other members of the Board present were of the opinion that, since the regular staff was fully occupied during the time of Mr. Parry's employment and would not have had time to do the work which he did and Senator Douglas' request involved an extremely important question which required a great deal of consideration, it was in the interest of economy and efficiency to have Mr. Parry's services available, not only in connection with the preparation of the possible directive but also in connection with the other staff work growing out of the hearings.

12/15/49

-17-

There was a general discussion of the matter but no further action was taken with respect to it.

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks held on December 14, 1949, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 14, 1949, were approved unanimously.

Memorandum dated December 12, 1949, from Mr. Thomas, Economic Adviser to the Board, recommending increases in the basic annual salaries of the following employees in the Division of Research and Statistics, effective December 25, 1949:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Saul B. Klamon	Economist	\$4,600	\$4,725
Barbara L. Hinrichs	Research Assistant	3,100	3,225
Louise M. Hamilton	Clerk-Typist	2,690	2,770

Approved unanimously.

Memorandum dated December 14, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending the appointment of Mrs. Alice C. Immler as a statistical clerk in that Division on a temporary indefinite basis, with basic salary at the rate of \$2,650 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to the Board of directors of the "West Texas State

12/15/49

-18-

Bank", Snyder, Texas, stating that subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H and the following special condition, 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 Dallas, effective if and when the bank is authorized to commence business by the appropriate State authorities.

- "3. At the time of admission to membership such bank shall have a paid-up and unimpaired capital of not less than \$100,000 and other capital funds of not less than \$100,000, and shall have provided for blanket surety coverage of not less than \$75,000."

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to issue and sell investment certificates. Attention is called to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership.

"If at any time a change in or amendment to the bank's charter is made, the bank should advise the Federal Reserve Bank, furnishing copies of any documents involved, in order that it may be determined whether such change affects in any way the bank's status as a member of the Federal Reserve System."

Approved unanimously, for
transmission through the Federal Reserve Bank of Dallas.

12/15/49

-19-

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

"Reference is made to your Bank's letter of December 9, 1949, and your telephone conversation of December 13, 1949, in which you advise that it appears expenses for the Federal Reserve Note Issues function at your Bank will exceed the 1949 budget estimate by \$34,096.

"The Board accepts the revised figure and appropriate notations are being made on the Board's records."

Approved unanimously.

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

"For the reasons outlined in your letter of December 7, 1949, the Board of Governors approves the payment of salary to William C. Allen, temporarily assigned to the Examination Department, at the rate of \$3,300 per annum effective April 4, 1949. It is understood that this salary is in excess of the maximum of the salary grade in which Mr. Allen's present position is classified."

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your Bank's letter of December 5, 1949, in which you advise that it appears expenses for certain functions at your head office and branches will exceed the 1949 estimates by more than \$5,000 or 10 per cent, whichever is less, as follows:

<u>Functions</u>	<u>Head Office</u>	<u>Denver Branch</u>	<u>Oklahoma City Branch</u>	<u>Omaha Branch</u>
Provision of Space	\$42,902		\$4,345	
Furniture and Equipment	25,564	\$2,289		
Consumer Credit		3,075	2,436	\$2,855
Securities			1,828	
Currency and Coin	16,126	8,912	11,792	
Legal				770

12/15/49

-20-

<u>"Functions</u>	<u>Head</u>	<u>Denver</u>	<u>Oklahoma</u>	<u>Omaha</u>
	<u>Office</u>	<u>Branch</u>	<u>City Branch</u>	<u>Branch</u>
Bank & Public Relations		889		2,972
Federal Reserve Note				
Issues	\$55,579			
Research and Statistical		50		

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

Approved unanimously.

Letter to Shufro, Rose & Company, One Wall Street, New York

5, New York, reading as follows:

"This refers to your letter of December 2 requesting that the Board consider a change in Regulation T which would permit, in the Special arbitrage account provided in Section 4(d), the holder of a convertible security to sell short the security into which it is convertible and to maintain the long position in the convertible security for a period of time.

"If we understand correctly the type of transaction you have in mind, it appears that it is now permitted in general accounts as provided in Section 3 without the requirement of additional margin. You will note the provision in Section 3(d) (3) that the margin required for short sales, as prescribed in the supplement to the regulation, is not required 'when there are held in the account securities exchangeable or convertible within a reasonable time, without restriction other than the payment of money, into such securities sold short'.

"Since it appears that the transactions in which you are interested are permitted in general accounts, it would not seem to be necessary to make any change in the regulation with respect to the matter.

"The margin regulations are administered on a decentralized basis through the Federal Reserve Banks, and if you should have further questions concerning the regulations you may find it more convenient to get in touch with the Federal Reserve Bank of New York."

12/15/49

Approved unanimously.

Robert
Secretary.

Approved:

Thomas B. McCall
Chairman.