

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, December 19, 1949.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 16, 1949, were approved unanimously.

Memorandum dated December 16, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending that E. Ralph Massey, an Assistant Federal Reserve Examiner in the Division of Examinations, be transferred to the Division of Bank Operations as a technical assistant, with an increase in basic salary from \$5,350 to \$5,600 per annum, effective December 25, 1949. The memorandum also stated that the Division of Examinations was agreeable to this transfer.

Approved unanimously.

Memorandum dated December 15, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Adele S. Hug as a stenographer in that Division, with basic salary at the rate of \$2,875 per annum, effective as of the date upon which she enters upon the performance of her duties

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after having passed the usual physical examination.

Approved unanimously.

Memoranda as indicated below recommending increases in the basic annual salaries of the following employees in the offices indicated, effective December 25, 1949:

Date of Memo - From	Name	Title	Salary Increase	
			From	To
12/15/49 MR. DRAFER	Michael L. Jamison	Messenger in Mr. Draper's office	\$2,690	\$2,770
12/15/49 MR. RIEFLER	Otto H. Branich	Messenger in the Chairman's office	2,690	2,770

Approved unanimously.

Memorandum dated December 15, 1949, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that Annie I. Cotten, Secretary in the Board Members' Offices, be transferred on a temporary basis to the Division of Personnel Administration as secretary to Mr. Nelson, without change in her present basic salary of \$5,300 per annum, effective January 1, 1950, and recommending further that Herbert Bundy, a messenger in the Board Members' Offices, be transferred on a temporary basis to the Division of Administrative Services as an operator (mimeograph), without change in his present basic salary of \$2,530 per annum, effective as of the date upon which he enters upon the performance of his duties. The memorandum also stated that the Division of Administrative Services was agreeable to the transfer of Mr. Bundy.

Approved unanimously.

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

"The Board of Governors approves the payment of salary to the following officers of the Federal Reserve Bank of Minneapolis at the rates indicated, which, according to your letter of December 6, 1949, are the rates fixed by the Board of Directors, for the period December 6, 1949, to May 31, 1950, both dates inclusive:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
Harold C. Core	Vice President	\$10,000
E. B. Larson	Vice President	9,500
M. H. Strothman, Jr.	Assistant Vice President	8,000
Clayton E. Tillander	Chief Examiner	7,000
George M. Rockwell	Assistant Cashier	6,000
Christian Ries	Assistant Cashier	6,000
Marcus O. Sather	Assistant Cashier	6,000
Arthur W. Johnson	Assistant Cashier	6,000
Clement A. Van Nice	Assistant Cashier	6,000"

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"For some time, as you know, the Board has been giving consideration to the question whether a deposit of uninvested trust funds made by the trust department of a member bank in its own banking department may properly be classified as a time deposit under Regulations D and Q where the deposit consists of the commingled funds of various trust estates.

"It will be recalled that, with its letters of November 19, 1948, and April 26, 1949, the Board submitted to the Federal Reserve Banks for comment two different proposed approaches to this problem. The Reserve Banks are divided in their views on the subject. From a credit standpoint, however, it appears that, regardless of which approach is followed, no very significant effect upon the aggregate volume of reserves of member banks would be involved.

"After careful consideration of all aspects of the

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"problem in the light of the views expressed by the Reserve Banks, the Board has adopted a ruling on this subject in the form enclosed herewith which in effect will permit the practice under consideration in certain circumstances. The ruling will be published in an early issue of the Federal Reserve Bulletin, but you are, of course, at liberty, if you so desire, to furnish a copy of the ruling to any member banks in your district to which it may be of immediate interest."

Approved unanimously, together with the following ruling:

"TIME DEPOSIT OF TRUST FUNDS IN
MEMBER BANK'S OWN BANKING DEPARTMENT

"The Board of Governors has been presented with a question as to whether certain deposits of uninvested trust funds made by the trust department of a member bank in its own banking department may properly be regarded as time deposits within the meaning of the Board's Regulation D, relating to reserves of member banks, as well as Regulation Q, relating to payment of interest on deposits.

"This question has arisen out of the practice followed by certain member banks of commingling uninvested trust funds and depositing a portion of them in a single time deposit in their own banking departments. Under this practice, it is understood that a certain portion of the aggregate amount of uninvested trust funds held by the trust department is placed in the banking department in a demand deposit and that another portion of such trust funds is placed in a time deposit subject to a written agreement between the two departments with respect to notice of withdrawal in conformity with the requirements of Regulations D and Q. However, the records of the bank do not show or identify the dollar amount of the funds of any particular trust estate which are included in the time deposit. While the practices of different banks vary in details, the portion of the aggregate amount of trust funds which is placed in the time deposit is determined generally on the basis of periodic analyses of anticipated requirements for the disbursement or other use of trust funds belonging to particular trust estates within the near future.

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"After careful consideration of this problem, the Board has reached the conclusion that, where a portion of commingled uninvested trust funds is thus placed in a single deposit in the bank's own banking department without identification of the amount of each trust included in the deposit, such a deposit may be regarded as complying with the requirements of the definition of a 'time deposit' contained in Regulations D and Q, if -

- (1) The amount of uninvested trust funds placed in such deposit is determined in good faith on a reasonable and conservative basis in the light of monthly reviews of anticipated requirements for the disbursement of trust funds within the near future which show that no trust funds included in the deposit will be needed for the purpose of making such disbursements within the ensuing 30 days;
- (2) The deposit is subject to a written agreement between the trust department and the banking department which complies with the requirements of the definition of one of the types of time deposits set forth in Regulations D and Q and the deposit otherwise conforms to such definition;
- (3) The member bank is satisfied, either through consultation with its attorneys or otherwise, that the practice under which such a deposit is made is not inconsistent with applicable State law relating to trust administration or otherwise, and that the practice is not inconsistent with the terms of any applicable trust instrument or court order.

"If the amount of uninvested trust funds placed in a time deposit in the member bank's banking department is determined arbitrarily and without consideration of probable requirements for the disbursement of funds of particular trust accounts, it is the Board's view that the deposit would not satisfy the conditions prescribed above."

Letter to Mr. Besuden, Winchester, Kentucky, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of Cincinnati Branch of Federal Reserve Bank of Cleveland for three-year term beginning January 1, 1950, and will be pleased to have your acceptance by collect telegram."

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Approved unanimously.

Letter to Harold Silver, Silver Engineering Works, Denver, Colorado, reading as follows:

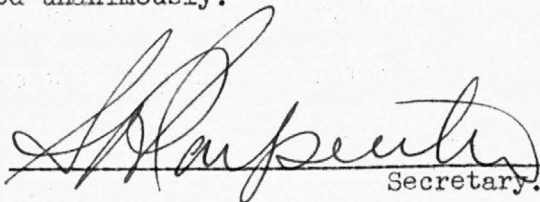
"Board of Governors of the Federal Reserve System has appointed you director of Denver Branch of the Federal Reserve Bank of Kansas City for two-year term beginning January 1, 1950, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

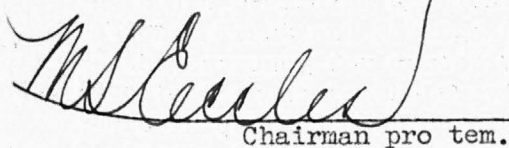
Letter to Mr. W. A. Denecke, Bozeman, Montana, reading as follows:

"Board of Governors of Federal Reserve System has appointed you director of Helena Branch of Federal Reserve Bank of Minneapolis for two-year term beginning January 1, 1950, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.