

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, December 23, 1949.

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

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

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Chicago on December 19, by the Federal Reserve Bank of San Francisco on December 20, by the Federal Reserve Bank of Atlanta on December 21, by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Richmond, Minneapolis, and Dallas on December 22, and by the Federal Reserve Bank of St. Louis on December 22, 1949, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated December 22, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective December 25, 1949:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Frank J. Callahan	Clerk	\$3,355	\$3,475
Doris McTeer	Clerk-Stenographer	2,530	2,650

Approved unanimously.

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Telegram to Mr. Stonewall J. Beauchamp, Terminal Warehouse Company, Little Rock, Arkansas, reading as follows:

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

Approved unanimously.

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

"Reference is made to your letter of December 15, 1949, advising that the Board of Directors has authorized an extension of the leave of absence of George W. Mitchell, Senior Economist, for an additional six months beginning January 1, 1950, in order that he might continue as Director of Finance for the State of Illinois.

"The Board will interpose no objection to the extension of Mr. Mitchell's leave with the continued understanding that during his leave of absence he will not be engaged in any political activity which would be incompatible with his official status at the Federal Reserve Bank."

Approved unanimously.

Letter to Mr. Gilbody, Assistant Cashier, of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of December 12 regarding the penalty of \$44.44 incurred by The Windsor Trust Company, Windsor, Connecticut as a result of a deficiency in its reserves for the period ended November 30, 1949.

"It is noted that the deficiency resulted from a misunderstanding on the part of the member bank regarding the handling of cash letters from your Bank, and that the bank has been a member of the System for only one year.

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"In the circumstances, the Board authorizes your Bank not to make the assessment."

Approved unanimously.

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

"Reference is made to your letter of December 9, 1949, submitting the request of the 'York Trust Company', York, Pennsylvania, for permission to establish a branch (de novo) in Springettsbury Township, Pennsylvania.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in Springettsbury Township, Pennsylvania, by the York Trust Company, York, Pennsylvania, provided the branch is established within six months of the date of this letter; formal approval of the appropriate State banking authorities is obtained; the paid-in and unimpaired capital stock is increased to not less than \$1,000,000 at the time that the branch is established; and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

Letter prepared in accordance with action at the meeting on December 15, 1949, to Mr. Erickson, President of the Federal Reserve Bank of Boston, reading as follows:

"The Board of Governors accepts, subject to further review, the budget of the Federal Reserve Bank of Boston for the year 1950 as transmitted with your Bank's letter of September 29, 1949. In event the Board desires any additional information in connection with this review, we will communicate with you in regard thereto.

"Enclosed are two volumes containing memoranda and tables prepared in connection with the Board's preliminary study of the 1950 budgets of the Federal Reserve

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"Banks. These volumes are similar to those prepared in connection with the 1948 and 1949 budgets."

Approved unanimously, together with similar letters to the Presidents of all other Federal Reserve Banks, and the following letter to the Chairman of each Federal Reserve Bank:

"Enclosed are two volumes containing memoranda and tables prepared in connection with the Board's preliminary study of the 1950 budgets of the Federal Reserve Banks. These volumes are similar to those prepared in connection with the 1948 and 1949 budgets, copies of which were distributed at meetings of the Conference of Chairmen.

"For your information the Board of Governors has accepted the budgets of the Federal Reserve Banks for the year 1950, subject to further review."

Memorandum dated December 22, 1949, from Mr. Leonard, Director of the Division of Bank Operations, submitting requests from the Federal Reserve Banks for authority to pay the regular semiannual dividend at the end of 1949, and to make charge-offs or other year-end adjustments.

The memorandum stated that current earnings for 1949 would be approximately \$315,691,000 and current expenses would amount to about \$77,481,000, leaving current net earnings of about \$238,210,000; that additions to current net earnings, including \$30,122,000 profits on sales of Government securities, would amount to about \$30,254,000; that deductions from current net earnings would approximate \$3,229,000; that additions to reserves for contingencies would be about \$40,397,000,

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consisting of \$397,000 additions to reserves for registered mail losses and the \$40,000,000 deduction to be prorated among the Federal Reserve Banks and transferred to reserves for contingencies before computing interest on Federal Reserve notes; and that payments to the Treasury as interest on Federal Reserve notes not covered by gold certificates pledged with the Federal Reserve Agent as collateral would be about \$191,232,000. Net earnings for the year were estimated at \$33,606,000. Dividends would amount to \$12,329,000, leaving net earnings for transfer to surplus of about \$21,277,000.

The memorandum further stated that in accordance with the understanding at the December 14, 1949, joint meeting of the Presidents and the Board, no further amount would be deducted from current net earnings of the System before computation of interest payments to the Treasury on Federal Reserve notes and that the \$40,000,000 deducted so far this year would be transferred to reserves for contingencies.

Recommendations contained in the memorandum with respect to the requests of the Federal Reserve Banks were approved unanimously as follows:

1. Each Federal Reserve Bank was authorized to pay the regular semiannual dividend on December 31, 1949, estimated to amount to a total for the twelve Banks of \$6,217,000.
2. The Federal Reserve Banks were authorized to transfer to reserves for contingencies their pro rata

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share of the \$40,000,000 so far deducted this year from their net earnings.

3. The Federal Reserve Bank of Cleveland was authorized, for reasons set forth in the memorandum, to charge off \$178,576.81 on the carrying value of its land at Pittsburgh, and the Federal Reserve Bank of Atlanta was authorized to charge off \$4,900 architects fees.

4. The Federal Reserve Bank of Boston was advised by wire as follows:

"Retel December 21 re following proposed year-end adjustments: \$220,000 special reserve for depreciation on bank building and fixed machinery and equipment, \$150,000 special reserve for repairs and improvements, \$52,000 charge-off of architects and engineers fees. Understand that if Directors approve such program it will be accompanied by supporting data when formally submitted to the Board.

"On this basis, Board will be prepared to approve such a program, if submitted, after approval by your Directors. In this connection, Board does not, in general, favor setting aside from current net earnings of one year reserves to cover contemplated expenses of a subsequent year but has approved such reserves in certain cases where specific programs were involved, and it is understood that the data supporting this item will include information as to the specific program."

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

"Reference is made to your Bank's letter of December 8, 1949, in which you advise that it appears expenses for certain functions at your head office and branches will exceed the 1949 estimates as follows:

<u>Function</u>	<u>Head Office</u>	<u>Cincinnati</u>	<u>Pittsburgh</u>
Provision of Space			\$18,362
Furniture and Equipment		\$6,450	20,000 <u>1/</u>
Insurance			580

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<u>Function</u>	<u>Head Office</u>	<u>Cincinnati</u>	<u>Pittsburgh</u>
Discount and Credit		\$ 850	
Consumer Credit	\$3,370 <sup>2/</sup>	1,472 <sup>2/</sup>	
Legal	4,650		
Bank and Public Relations	10,000		2,100
Federal Reserve Note Issues	177,800		
Research and Statistical			1,275
<sup>1/</sup> Previously advised.			
<sup>2/</sup> Revised estimate.			

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

Approved unanimously.

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Reference is made to your Bank's letter of December 15, 1949, in which you advise that it appears expenses for certain functions at your head office and branches will exceed the 1949 estimates as follows:

<u>Function</u>	<u>Head Office</u>	<u>Jacksonville</u>	<u>Nashville</u>
Postage & expressage	\$8,000		
Stock of supplies	2,500		
Insurance		\$100	
Currency & coin	7,000		
Federal Reserve note issues	80,000		
Research & Statistical			\$50

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

Approved unanimously.

Letter to Mr. Harry C. Hausman, Secretary, Illinois Bankers Association, 105 West Monroe Street, Chicago 3, Illinois, reading as follows:

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"This letter is confirmation of the cordial invitation extended by Mr. Szymczak, in his note to you of December 19, to the officers of the Illinois Bankers Association to have luncheon with the Board in the Federal Reserve Building on Thursday, February 23, 1950, at one p.m.

"The Board is looking forward with keen anticipation to another of your annual visits and all of the members appreciate this opportunity to know you better and to express to you again their desire to cooperate in every way they can to make the work of your Association as effective as possible. If we can be of assistance in any way in connection with your visit to Washington, please do not hesitate to call on us."

Approved unanimously.

*[Handwritten Signature]*  
Secretary.

Approved:

*[Handwritten Signature]*  
Chairman.