

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, February 8, 1950.

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

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

Memorandum dated February 7, 1950, from Mr. Millard, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, Edward Kenneth O'Malley be appointed as an Assistant Federal Reserve Examiner, with salary at the rate of \$3,100 per annum, and with official headquarters at Washington, D. C.

By unanimous vote, Mr. Edward Kenneth O'Malley was appointed an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., and with basic salary at the rate of \$3,100 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

2/8/50

-2-

Approved unanimously.

Memorandum dated January 24, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Melvin I. White, an economist in that Division, from \$6,400 to \$6,600 per annum, effective February 19, 1950.

Approved unanimously.

Memorandum dated February 3, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the temporary appointment of William Cobey as a cafeteria helper in that Division, be extended on a permanent basis, effective February 12, 1950, with no change in his present basic salary at the rate of \$2,120 per annum.

Approved unanimously.

Letter to Mr. Gales, Assistant Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your Bank's letter of January 31, 1950, in which you advise that the expenses for the Provision of Space function at your head office exceeded the 1949 budget estimate by \$32,560 due to depreciation charges resulting from the conversion of your power plant from DC to AC current.

"Appropriate notations are being made in the Board's records concerning this overexpenditure."

Approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

2/8/50

-3-

"This refers to your two letters dated December 9, 1949, and staff telephone conversations, concerning your recommendation that three banks in the Boroughs of Brooklyn and the Bronx in New York City be given permission to maintain the reserves required to be maintained by 'country' banks, instead of the reserves they are now required to carry as reserve city banks.

"Pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board has taken the following action, effective with the first semi-monthly reserve computation period beginning after the date of this letter:

(1) The Board's ruling, under which every member bank having its head office or a branch in the Borough of Brooklyn, and having no branch in the Borough of Manhattan, had to maintain the reserve requirements of reserve city banks, has been amended so that any member bank located outside the downtown business and financial district of Brooklyn as hereinafter described, and having no branch in such downtown district or in the Borough of Manhattan, will be eligible for permission to maintain the reserves required to be maintained by banks located outside of central reserve and reserve cities.

The boundaries of the downtown financial and business district above-mentioned are as follows: On the south, Atlantic Avenue from the East River southeasterly to Flatbush Avenue, then northwesterly on Flatbush Avenue and Flatbush Avenue extension to the East River. The remainder of the district is bound by the East River.

(2) The Board's ruling, under which every member bank having its head office or a branch in the Borough of the Bronx, and having no branch in the Borough of Manhattan, had to maintain the reserve requirements of reserve city banks, has been amended so that any member bank located in the Borough of the Bronx, and having no branch in the Borough of Manhattan or in the downtown district of Brooklyn as above described, will be eligible for permission to maintain the reserves required to be maintained by banks located outside of central reserve and reserve cities.

(3) In view of their location and the character of business transacted by them as described in your letters, the following member banks in the Boroughs of Brooklyn and

2/8/50

-4-

"the Bronx have been given permission to maintain the reserves required to be maintained by banks located outside of central reserve and reserve cities:

The Peoples National Bank of Brooklyn in New York,
Brooklyn, New York

The Bensonhurst National Bank of Brooklyn in New York,
Brooklyn, New York

Bronx County Trust Company,
Bronx, New York

"Please advise each of the three banks above listed of the Board's action, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously, Messrs.
Eccles and Vardaman having previously approved the action, together with the following letter to Mr. Young, President of the Federal Reserve Bank of Chicago:

"Upon recommendation of the Federal Reserve Bank of New York, the Board has given permission to the only member bank located in the Borough of the Bronx, New York City, and to two member banks located in the Borough of Brooklyn, outside of the downtown area, to maintain the reserves required to be maintained by 'country' member banks, instead of the reserves they had been required to maintain as reserve city banks. On September 30, 1949, the Board granted permission to nine member banks located in the Borough of Manhattan, outside the lower downtown area, to carry the reserves required to be maintained by reserve city banks, instead of the reserves they previously were required to carry as central reserve city banks.

"Before these permissions were granted the city of New York was divided for reserve purposes into three parts, under a ruling made by the Board in 1913: Banks having offices in the Borough of Manhattan were classified as central reserve city banks, those having offices in the Boroughs of Brooklyn and the Bronx but not in the Borough of Manhattan were classified as reserve city banks, and those having offices in the Boroughs of Queens and Richmond but no offices in the Boroughs of Brooklyn, the Bronx, or Manhattan, were classified as country banks.

"No member bank in the city of Chicago has ever had permission to carry the reserves required to be maintained

2/8/50

-5-

"by 'country' member banks. According to our records, 13 member banks in the city of Chicago are now classified as central reserve city banks and 44 as reserve city banks. In view of the action taken with respect to the reserve classification of member banks located in the Boroughs of Brooklyn and the Bronx, you may wish to review the reserve classification of member banks in the city of Chicago. In the event that you decide to recommend any changes, please accompany the recommendation with a review along the lines outlined in the Board's letter S-928 of August 9, 1946. In such case, it would also be helpful if you could submit a map showing a suggested division of the city of Chicago into three parts, as follows: Part 1, downtown area, in which every member bank should be required to maintain the reserve requirements of central reserve city banks; Part 2, intermediate outlying area, in which member banks might be eligible for permission to maintain the reserve requirements of reserve city banks; Part 3, remaining outlying area, in which member banks might be eligible for permission to maintain the reserve requirements of either reserve city or country banks."


Secretary.

Approved:


Chairman.