

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 30, 1950.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Memorandum dated March 28, 1950, from Mr. Nelson, Director of the Division of Personnel Administration, recommending an increase in the basic salary of Mrs. Dorothy V. Wright, a clerk-typist in that Division, from \$2,890 to \$2,970 per annum, effective April 2, 1950.

Approved unanimously.

Memorandum dated March 28, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective April 2, 1950:

<u>Name</u>	<u>Title</u>	<u>Salary Increases</u>	
		<u>From</u>	<u>To</u>
Sylvia L. Edelson	Economist	\$3,825	\$3,950
Francesca K. Frost	Clerk-Stenographer	2,890	2,970

Approved unanimously.

Memorandum dated March 27, 1950, from Mr. Carpenter, Secretary of the Board, recommending (1) that the Board authorize the Office of the Secretary to microfilm the minutes of the Board since it was organized in 1914, minutes of the Federal Open Market Committee since it was reconstituted in 1936, minutes of the Chairmen's Conference since 1940, and their indexes, in duplicate and to arrange with the Federal Reserve Banks of Cleveland and Kansas City for the storage of

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separate copies of the films at the Cincinnati and Denver branches of those banks (both of which have generous-sized vault facilities), (2) that the appropriate item in the 1950 budget of the Office of the Secretary be increased by an amount sufficient to cover the costs of the foregoing other than the clerical help needed, which would be provided from within that Office, and (3) that the office of the Secretary be authorized to make films of future minutes as they accumulate, in accordance with the procedure outlined in (1).

Approved unanimously.

Telegram to Mr. Latham, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Retel March 30. Board approves designation of Foster K. Cummings as a special assistant examiner for the Federal Reserve Bank of Boston."

Approved unanimously.

Letter to Mr. Tamagna, Board of Governors of the Federal Reserve System, Washington, D. C., reading as follows:

"Pursuant to the request of the Economic Cooperation Administration, as expressed in a letter dated January 19, 1950, from Mr. William C. Foster, Deputy Administrator, the Board has authorized you to proceed to Paris, France, and such other places as may be necessary, for a period not to exceed three months, beginning about April 1, 1950. During this time you will carry out an analytical review of the financial policies of countries participating in the European Recovery Program, and undertake such related studies as may be assigned to you by the Office of the Special Representative of the Economic Cooperation Administration in Paris.

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"It is understood that the Board will continue to pay your salary during the period involved, but that the Economic Cooperation Administration will bear all travel and other expenses connected with the loan of your services, upon the terms of the travel regulations applicable to the personnel of that organization.

"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."

Approved unanimously.

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

"This refers to your letter of March 23, 1950, and enclosure, with regard to the proposed organization of a State bank in North Augusta, South Carolina, and raising certain questions under the Clayton Act as well as the provisions of the Banking Act of 1933 regarding holding company affiliates.

"It appears from your letter that the Georgia Railroad and Banking Company, which owns substantially all of the stock of the Georgia Railroad Bank and Trust Company, Augusta, Georgia, would acquire a small number of shares (1 to 10) of the new State bank, along with several of the individual shareholders of the member bank so that the holding company and the other shareholders of the member bank would own more than 50 per centum of the shares of the new State bank.

"If the Georgia Railroad and Banking Company and other shareholders of the Georgia Railroad Bank and Trust Company acquire more than 50 per centum of the capital stock of the new State bank, the exception in section 2(d)(4) of Regulation L would apply and, therefore, directors of the Georgia Railroad Bank and Trust Company would be permitted to serve as directors of the new State bank.

"On December 19, 1935, the Board determined that Georgia Railroad and Banking Company was not engaged directly or indirectly in the business of holding the stock of, or managing or controlling banks, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, as a result of this determination, the

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"Company ceased to be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. It is understood that there has been no material change in the facts upon which that determination was based, and that the company continues to own or control no bank stock other than that of Georgia Railroad Bank and Trust Company. In the circumstances, the Board is of the opinion that the proposed acquisition by the company of a few shares of the stock of the new bank in North Augusta would not require the revocation of the determination made in 1935."

Approved unanimously.

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

"Receipt is acknowledged of your letter of March 24, 1950, transmitting an agreement executed by Industrial Bancshares Corporation, St. Louis, Missouri, as a holding company affiliate of Jefferson-Gravois Bank of St. Louis, St. Louis, Missouri, a State member bank. In this agreement, which was executed pursuant to section 9 of the Federal Reserve Act, Industrial Bancshares Corporation agrees that it shall be subject to the same conditions and limitations as are applicable under section 5144 of the Revised Statutes, as amended, in the case of holding company affiliates of national banks. While, as you point out, the agreement differs in some respects from the form prescribed by the Board (Form P-5), it will be accepted as satisfactory compliance with the applicable requirements."

Approved unanimously.

Letter to Mr. Endres, Auditor of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of February 24 containing inquiries from a member bank regarding the timing of book entries in its reserve account in connection with transactions occurring on days when

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"the member bank is open but the Federal Reserve Bank is closed.

"The member bank's letter indicates that it has been painstaking in its efforts to synchronize its entries with those of the Reserve Bank through use of its collection and deferred accounts, and it is believed that the following suggestions would further synchronize the entries under present conditions. The main purpose of collection and deferred accounts is to effect such synchronization, since legal reserve balances are those shown on the books of the Reserve Bank and required reserves are computed from the books of the member bank.

"The first question raised by the member bank pertains to certain cash items and cash letters, the amount of which the member bank ordinarily credits to its reserve account and at the same time authorizes your Bank by telegraph to debit its reserve account. On days when the member bank is open and the Federal Reserve Bank is closed, the member bank's reserve account obviously could not be debited even if telegraphic advice were given. Accordingly, on these days the member bank should credit its transit account, 'Due to Federal Reserve Bank account', rather than its reserve account. On the next business day it may send the usual telegram to the Federal Reserve Bank authorizing a debit to its reserve account, and at the same time credit its reserve account and debit the account 'Due to Federal Reserve Bank account'. If satisfactory to your Bank, the member bank could, of course, settle for such transactions on days when it is open and the Federal Reserve Bank is closed by mailing a draft on its reserve account, which would reach the Reserve Bank the next business day and be debited to the account. The treatment of the 'various other debits' should be consistent with the procedures suggested herein.

"The second question pertains to drafts drawn by the member bank on your Bank, authorizations to charge the member bank's reserve account for daily cash letters received from your Bank, and daily United States Treasurer transfers. Outstanding drafts drawn upon and other authorizations to charge the member bank's reserve account at the Federal Reserve Bank must be reported as outstanding, i.e., as a deposit liability, 'for the

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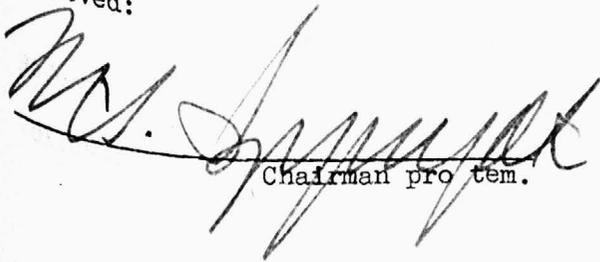
"number of days normally required for mail to go from the member bank's city to the Federal Reserve Bank, ...' (F.R.L.S. #6041). Accordingly, when drafts or other authorizations would 'normally' arrive at the Federal Reserve Bank on a day (holiday or Saturday) when it is regularly closed, the member bank should report the amounts as outstanding until the next business day.

"The third question relates to the timing of credits and debits to the member bank's collection and reserve accounts for the amount of items becoming available on each business day. With respect to these transactions on a day when the member bank is open and your Bank is closed, it is to the member bank's interest to defer the entry for one additional business day, since the net result is that its net demand deposits subject to reserves are decreased. It may also be more convenient for the member bank to follow this procedure, if it is using the deferred credit tickler file as described on page 7 of your Bank's Operating Circular No. 4. However, member banks are not required to follow this procedure; this point is covered in the Board's letter of April 26, 1939 (S-161, F.R.L.S. #5951). If it is more convenient for a member bank to make the described entry on each of its business days rather than to make allowances for Reserve Bank holidays, there is no objection to its doing so for purposes of the reports of condition or of deposits for reserve purposes."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.