Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, May 25, 1950.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Draper
Mr. Vardaman
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 24, 1950, were approved unanimously.

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

"In accordance with the request contained in your letter of May 18, 1950, the Board approves the appointments of Daniel E. Wulff, at present an assistant examiner, and Fred E. Hartzsch as examiners for the Federal Reserve Bank of New York; the appointments of Edmund J. Burke, John A. Clear, Walter H. Hill, and Harold Simonsen as assistant examiners; and the designations of Patrick F. Callahan, William L. Paull, John E. Pearson, and Henry Schumacher as special assistant examiners. Please advise us of the dates upon which the appointments of the examiners and assistant examiners are made effective.

"It is noted that Mr. Burke is obligated on a V/A mortgage on his home in the amount of $8,700, which mortgage is held by the Plainfield National Bank, Plainfield, New Jersey, but it is understood that arrangements will be made to place this mortgage elsewhere. Please advise us of the arrangements when this has been done."

Approved unanimously.

Letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:
"As requested in your letter of May 16, 1950, the Board of Governors authorizes the Federal Reserve Bank of Kansas City to complete its program of extending and improving the air conditioning system in the Head Office building at a total cost of not to exceed $435,000.

"It is noted that most of the costs in excess of the $400,000 authorized by the Board in its telegram of November 10, 1949, are expenditures by your Bank's own building department which are chargeable to the cost of the installation of air conditioning equipment."

Approved unanimously.

Letter to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of May 20, 1950 relating to inaccuracies in the report of condition as published by the Cache Valley Banking Company, Logan, Utah.

"In view of the relatively small amounts involved, we agree with you that republication of the report should not be required."

Approved unanimously.

Letter to Honorable John L. McMillan, Chairman, Committee on the District of Columbia, House of Representatives, Washington, D.C., reading as follows:

"This is in reply to Mr. McCleod's letter of May 17, 1950, requesting the Board's views with respect to the bill H. R. 8055, 'Relating to the collection, payment, and dishonor of demand items, and to the revocation of credit for, and payment of, such items, by banks in the District of Columbia'.

"Briefly, this bill would authorize any bank in the District of Columbia which gives credit for a check or other demand item on the day of its receipt (except an item received for immediate payment over
"the counter) to revoke such credit and return the item without payment at any time before midnight of the bank's next following business day.

The bill closely follows a model deferred posting statute which has been recommended by the American Bankers Association for enactment in all States in order to give effect, on a uniform basis, to a practice, commonly known as 'deferred posting', which has been adopted by many banks in recent years. Under this practice checks received by a drawee bank at various times during the day are posted to the bank's ledgers on the following business day rather than from time to time during the day of receipt, thus permitting the bank's bookkeeping department to perform its whole day's work of posting checks in one continuous operation. At the suggestion of the American Bankers Association, the Board of Governors, effective January 1, 1949, amended its Regulation J, relating to the check collection operations of the Federal Reserve Banks, to give recognition to this practice in connection with the payment of checks and other cash items collected through the Reserve Banks.

The enactment of the model statute is desirable in order to make certain that banks adopting deferred posting will follow a procedure of remitting on the day of receipt of a check, subject to revocation on the following day, rather than a procedure of delaying remittance until the day after receipt as was permissible under certain State statutes on this subject which were enacted some years ago. Obviously, the delaying of remittance by drawee banks would tend to slow up the collection of checks.

Adoption of the model statute is also desirable because it would serve to confirm and clarify, without reliance upon agreements between banks and their depositors, (1) the right of a depositary bank to forward checks for collection and payment in accordance with the deferred posting procedure, and (2) the right of the drawee bank, as between itself and the drawer of a check, to make payment in accordance with this procedure. It is to be noted, however, that the model statute does not have the effect of requiring any bank to follow the practice of delaying the return of unpaid items; banks may, if they wish, continue to return unpaid items on the day of
"receipt of such items.

"In August 1949, the Board suggested to the Council of State Governments that the model deferred posting statute be included among the State legislative proposals to be recommended by the Council; and we understand that the Council has included the deferred posting statute in its State legislative program for 1950. We also understand that legislation in the form of the model statute, or in somewhat modified form, has now been adopted by the legislatures of 38 States.

"For the reasons indicated, the Board believes that legislation along the lines of the bill H. R. 8055 would be in the interest of banks and trust companies in the District of Columbia which may wish to follow the deferred posting procedure and the Board, therefore, favors the enactment of such legislation."

Approved unanimously.

Memorandum dated April 12, 1950, from Mr. Young, Director of the Division of Research and Statistics, recommending that applicants authorized to travel at the Board's expense in accordance with the established procedure, be paid an allowance in lieu of subsistence of $9 per day.

Approved unanimously.

Approved:

Chairman.