

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 11, 1950.

PRESENT: Mr. Evans, Chairman pro tem.

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

Telegrams to the Federal Reserve Banks of Boston, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 8, by the Federal Reserve Bank of St. Louis on August 9, by the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas on August 10, 1950, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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

"In view of the circumstances described in your letter of August 9, 1950, the Board of Governors approves the payment of salary to Mr. Charles Diringier at the rate of \$8,825 per annum, which is \$725 in excess of the maximum established for the position of Chief of the Coin and Bullion Division, Cash Department, the position he now occupies. It is assumed that Mr. Diringier will be placed in a position commensurate with his salary as early as possible."

Approved unanimously.

Letter to Mr. Slade, Vice President of the Federal Reserve

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Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of August 7, 1950, the Board approves the reappointment of John W. Godfrey, formerly an assistant examiner, as an assistant examiner for the Federal Reserve Bank of San Francisco.

"Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to The First National Bank of Falls City, Falls City, Nebraska, reading as follows:

"This refers to the resolution adopted on February 7, 1950, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise thereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k).

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"A certified copy of the Board's certificate is enclosed herewith for filing with the State authorities in connection with the release of the securities which you have deposited with them."

Approved unanimously.

Letter to Dr. Edison H. Cramer, Chief, Division of Research and Statistics, Federal Deposit Insurance Corporation, Washington 25, D. C., reading as follows:

"This refers to your letter of July 28, 1950 addressed to Mr. Goodman of the Board's Division of Examinations enclosing a chart showing the number of defalcations in insured non-member State banks for each of the years 1946-1949 and stating that Chairman Harl would like to have the same information for State bank members of the Federal Reserve System.

"The files of the Board of Governors disclose that reports of possible criminal violations of this type in State member banks have been made to the Attorney General of the United States during the period indicated as follows:

<u>Year</u>	<u>Number of Cases</u>
1946	30 (includes 3 mysterious disappearances)
1947	52 (includes 1 mysterious disappearance)
1948	56 (includes 6 mysterious disappearances)
1949	67 (includes 2 mysterious disappearances)"

Approved unanimously.

Letter to Mr. A. W. Hall, Director, Bureau of Engraving and Printing, Washington, D. C., reading as follows:

"Reference is made to your letter of August 7, 1950, addressed to Mr. Leonard, Director of the Board's Division of Bank Operations, in which you outlined a proposed change in the method of printing and processing Federal Reserve notes under which the signatures of the Secretary of the Treasury and the Treasurer of the United States, as well as the information which identifies a particular Federal Reserve Bank, will

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"be printed typographically at the same time the serial numbers and the seal are imprinted.

"In view of the fact that the proposed method will result in a greater degree of flexibility in the production of Federal Reserve notes and your opinion that the proposed change does not in any sense affect the security of the designs or lessen the difficulty of reproduction of such notes by unauthorized persons, the Board of Governors and the Federal Reserve Banks are agreeable to the use of the new process in the printing of all denominations of Federal Reserve notes.

"It is noted that the proposed change has been cleared by the Fiscal Assistant Secretary of the Treasury, the Commissioner of the Public Debt, the Chief of the United States Secret Service, and the Deputy and Acting Treasurer of the United States."

Approved unanimously.

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

"This refers to your letter of July 27, 1950, in which you recommend that the Board amend its Regulation F to raise the limit on participation of an individual trust in a common trust fund from \$50,000 to \$100,000. In support of this recommendation, you forwarded a memorandum on this general question prepared by your Trust Examiner.

"The proposal submitted involves an important change in the Regulation and in the scope of common trust fund administration. It will require serious study of the many aspects of the matter and, presumably, will necessitate obtaining the views and recommendations of various individuals, trust institutions and supervisory agencies concerned with common trust fund administration. However, your recommendation will receive the careful consideration of the Board at its earliest opportunity."

Approved unanimously.

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Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington 25, D. C., reading as follows:

"This is in response to enrolled bill transmittal sheet received by the Board on August 10, 1950, enclosing a facsimile of enrolled bill H. R. 8597, an Act 'To permit national banks to give security in the form required by State law for deposits of funds by local public agencies and officers'.

"As indicated by the title, the bill authorizes national banks to give security for certain public deposits. In our letter to you of April 28, 1950 we stated that the Board believes that there is a fundamental inconsistency in continuing the authority to prefer one class of depositors over another by diverting a part of the assets of the bank to secure the payment of the claims of the preferred class in full, and that this inconsistency would be accentuated by liberalizing the provisions of law on this subject. We pointed out, however, that if after considering this fundamental question of policy it should be the view of Congress that the existing discrimination among depositors should be maintained, it would be consistent to enact the proposed bill."

Approved unanimously.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, Washington 25, D. C., reading as follows:

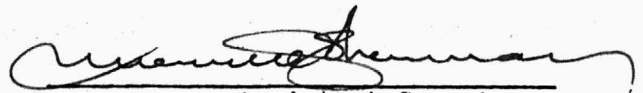
"This is in response to enrolled bill transmittal sheet received by the Board on August 9, 1950, enclosing a facsimile of enrolled bill H. R. 1161, an Act 'To provide for the conversion of national banking associations into and their merger or consolidation with State banks, and for other purposes'.

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"The Board is sympathetic with the principle of equality in the treatment of different classes of banks and favors the elimination of discrimination wherever practicable. Therefore, the Board sees no objection to the President's approving this bill."

Approved unanimously.



Assistant Secretary.