

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, June 27, 1951.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Norton

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 June 26, 1951, were approved unanimously.

Memorandum dated June 26, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of Mrs. Jane Turner, Stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business June 25, 1951.

Approved unanimously.

Memorandum dated June 25, 1951, from Mr. Sloan, Director of the Division of Examinations, recommending that the official headquarters of Att W. Hammons, Jr., Assistant Federal Reserve Examiner, be changed from Washington, D. C., to Memphis, Tennessee, effective June 27, 1951.

Approved unanimously.

Letter to Mr. Shepard, Chairman of the Federal Reserve Bank of Minneapolis, reading as follows:

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"At the completion of the examination of the Federal Reserve Bank of Minneapolis, made as of April 27, 1951, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also left for President Peyton.

"The Board will appreciate advice that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination, or as to action taken or to be taken as a result of the examination, will also be appreciated."

Approved unanimously.

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

"Reference is made to your letter of June 8, 1951, submitting the application of Union Bank and Trust Company, Delphi, Indiana, for permission to exercise fiduciary powers.

"In view of the Reserve Bank's recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized under the terms of its charter and the laws of the State of Indiana.

"You are requested to advise the Union Bank and Trust Company, Delphi, Indiana, of the Board's action."

Approved unanimously.

Letter to The First National Bank of Clarksville, Clarksville, Tennessee, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of

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"lunatics, or in any other fiduciary capacity in which State banks, trust companies, or other corporations which come into competition with national banks are permitted to act under the laws of the State of Tennessee. The exercise of these powers, in addition to that heretofore granted to act as trustee, shall be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for
transmittal through the Federal
Reserve Bank of Atlanta.

Letter to The Honorable, The Attorney General, Washington, D. C.,
reading as follows:

"There are enclosed for such attention as you deem advisable copies of certain letters and documents which indicate that the Chicago Branch of the Bank of Montreal, Montreal, Canada, may be operating in violation of section 21 of the Banking Act of 1933 (12 U.S.C., sec. 378). We have not discussed this matter with representatives of the Department of State, but, since a Canadian institution is involved, it is possible that in your consideration you may wish to take the matter up with the Department. We will, of course, be very glad to be of any assistance that we can in connection with this matter."

Approved unanimously.

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

"This refers to your letter of June 18, 1951, submitting, with your favorable recommendation, the request of The Parker Bank & Trust Company, Cullman, Alabama, for permission to act as Trustee under an indenture to be executed by the Cullman Improvement Authority to secure a bond issue of \$600,000.

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"It is noted that the duties of the member bank in connection with the contemplated appointment will include certification of the bonds to be issued, receipt of sinking fund moneys and the possible investment thereof, payment of interest and principal on the bonds, and the performance of other ministerial duties commonly involved in the administration of trusteeships of this kind, and that the accompanying responsibilities will, therefore, be limited in nature.

"In the circumstances, the Board will interpose no objection to The Parker Bank & Trust Company acting as Trustee in the matter above described with the understanding that it will not acquire any other fiduciary business without first obtaining the permission of the Board. Please advise the bank accordingly."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to Mr. Van Zante's letter of June 1, 1951, submitting, with a favorable recommendation, the request of City Bank, Detroit, Michigan, for permission, under the provisions of its condition of membership numbered one, to act as Escrow Agent, Fiscal Agent, Dividend Disbursing Agent, Transfer Agent and Registrar of stocks and bonds. It is observed that the applicant had previously obtained the consent of the Michigan State Banking Department to the acceptance and administration of Escrow and Fiscal agency appointments and that similar permission is to be obtained in support of the other agency relationships heretofore described.

"It appears that the functions involved in the performance of the agency relationships contemplated are largely ministerial in nature and that the accompanying responsibilities will be limited. It is further noted that it is not the desire or intention of the applicant to engage in trust business generally or to accept appointments of a kind which would involve the assumption of investment or similar discretionary responsibilities.

"In the circumstances, the Board will interpose no objection to the City Bank acting in the several agency

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"capacities enumerated above with the understanding that it will not acquire fiduciary business of other types without first obtaining the permission of the Board. Please advise the City Bank accordingly."

Approved unanimously.

Letter to Mr. Peyton, Chairman of the Conference of Presidents of the Federal Reserve Banks, Minneapolis, Minnesota, reading as follows:

"Enclosed is a copy of a letter dated June 8, 1951, from Mr. Osborne A. Pearson, Assistant Postmaster General, regarding the handling and insurance of post office funds which might be deposited with Federal Reserve Banks and branches through the use of registered mail.

"The Board would like to have the views of the Presidents on this matter, and therefore would appreciate it if you will have it referred to the proper committee or committees for report."

Approved unanimously.

Letter to the Honorable Jesse M. Donaldson, Postmaster General, Washington, D. C., reading as follows:

"Reference is made to the arrangement under which the Federal Reserve Banks will handle the new form of United States postal money orders to be issued on and after July 1, 1951.

"As you know, it has been agreed that the Federal Reserve Banks will be reimbursed by the Post Office Department for part of the cost of the work performed by them and that such reimbursement will be at the rate of \$3 per thousand money orders for the first year of operation, with the understanding that prior to the end of that period representatives of the Post Office Department and of the Federal Reserve Banks will meet to decide upon the basis for reimbursement thereafter in the light of actual experience.

"The rate of reimbursement agreed upon was based on the total estimated cost to the Federal Reserve Banks of handling 400 million new type postal money orders, less an amount to be absorbed by the Federal Reserve Banks representing

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"the estimated cost of services performed for member banks in connection with the handling of such money orders. The total estimated cost was determined during the period of development of the special type of machine for the use of the Reserve Banks in performing the operation, and was based upon an assumed rate of production by such machines derived from data furnished by the International Business Machines Corporation. After some of the machines had been manufactured and tested, however, it was discovered that their production capacity is approximately one-third less than the rate originally assumed. It will be necessary, therefore, for the Reserve Banks to utilize more machines and employees than originally contemplated in order to handle the anticipated volume of postal money orders.

"The failure of the machines to produce at the rate originally assumed will have the effect of raising the cost of the operation at the Federal Reserve Banks considerably above the amount anticipated when the reimbursement rate of \$3 per thousand money orders processed during the first year of operations was agreed upon. In the absence of some adjustment in that rate, the Federal Reserve Banks will absorb a substantially larger proportion of the total cost than was originally contemplated. We recognize, of course, that neither the Post Office Department nor the Federal Reserve Banks are responsible for this development, and we realize that the Department's request for its appropriation for the fiscal year 1952 was based on an anticipated rate of reimbursement at \$3 per thousand postal money orders. In these circumstances, the Federal Reserve Banks are willing to conduct the operation during the first year at the rate of reimbursement originally agreed upon. However, they will expect that an appropriate adjustment in the rate to be applied thereafter will be made following the discussion with your representatives prior to the end of the first year of operations, as contemplated by the original agreement.

"In addition to the development referred to above, the International Business Machines Corporation has advised that it intends to increase the rate of rental for the machines as originally quoted and on the basis of which the rate of reimbursement was fixed. The Company has agreed that no increase will be asked for the first year of operation, although an increase of approximately 20 per cent in machine rentals may be expected for the fiscal year beginning July 1, 1952.

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"This matter is brought to your attention at this time in order that the Post Office Department may be on notice, prior to the inauguration of the program, that because of these developments the actual cost of the operation is expected to be substantially in excess of the original estimate. It is assumed that your Department will be prepared to request whatever appropriations may be necessary to cover its share of the Reserve Banks' expenses in handling postal money orders during following years, as determined in the light of actual experience, since the Federal Reserve Banks can not be expected to continue to absorb costs which under the original understanding are properly those to be borne by the Post Office Department."

Approved unanimously.

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

"Upon receipt of your letter of June 13 regarding the request by representatives of the United States Department of Justice that the Nashville Branch furnish them with a description of interstate checks returned for 'No Account', we checked with two other Federal Reserve Banks to see if they had received similar requests.

"We have been advised that neither the Federal Reserve Bank of New York nor the Federal Reserve Bank of Philadelphia has received such a request, and we understand that the Nashville Branch is the only one of the five offices in the Atlanta District that has received such a request. Accordingly, it would seem that, at present at least, the matter is essentially a local one and not general or country-wide. We also understand that the number of such returned items at the Nashville Branch is very small, averaging perhaps two or three a day.

"In the circumstances it would seem that there is no reason why, as an experiment at least, it would not be proper for the Branch in accordance with your suggestion to cooperate with the Department of Justice and furnish the desired information, with the distinct understanding that it will be treated by the Department in strict confidence."

Approved unanimously.

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Letter to the Honorable John D. Hickerson, Assistant Secretary of State, Department of State, Washington, D. C., reading as follows:

"This is in reply to your letter of June 18, 1951, pertaining to representation at international conferences during the fiscal years 1952 and 1953. As you will note, the following paragraphs are along the same general lines as our letter to you of July 6, 1950.

"Since the Board does not operate with appropriated funds, its participation in international conferences does not involve the budgetary procedure outlined in your letter. However, the statutory responsibilities of the Board as a central banking organization make it necessary that we have a continuing and active interest in international monetary conferences. In addition, the membership of the Chairman of the Board on the National Advisory Council on International Monetary and Financial Problems makes it advisable for the Board and its staff to participate in those conferences dealing with monetary and related subjects.

"It is not possible to state in advance the particular conferences in which the Board will participate during the coming year. The Board's participation is likely to depend on the agenda of the particular conference and on the extent to which appropriate personnel of the Board can be made available at the time. It also depends frequently on the degree to which the Department of State, or other agency arranging for United States participation in the conference, may indicate the need of experts in monetary, banking or related fields for the U. S. delegation. These are, of course, fields in which the Board has personnel who have special qualifications and whose subsequent work at the Board might be benefited by their participation. Whenever the Department indicates to the Board the need of expert assistance of this type for a particular international conference, you may be assured that the Board will assist in every way possible.

"In the past members of the Board and of its staff have participated in the annual meetings of the Boards of Governors of the International Monetary Fund and International Bank, which are included in your list of international conferences. Members of the Board's staff have also participated in certain meetings of the United Nations Economic and Social Council (ECOSOC) or of its commissions or subcommissions, and it is quite possible that during the period of your inquiry we shall wish to participate in certain of these meetings dealing with particular areas or problems.

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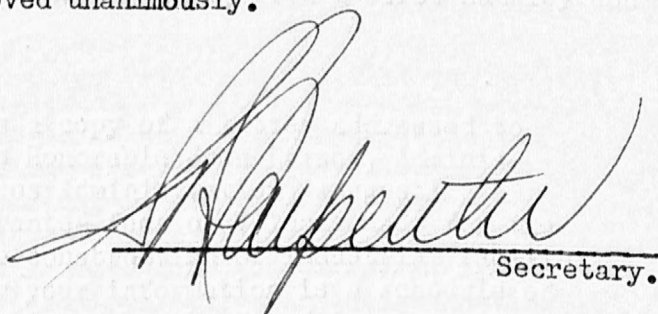
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"Members of the Board's staff have been asked to participate in an Ad Hoc Committee under Resolution XVII of the Fourth Meeting of Consultation of Ministers of Foreign Affairs of American States, to be held in Washington July 16. The Board will probably also wish to participate to some extent in any other Inter-American conferences relating to economic cooperation.

"It is understood that a Conference of Central Bank Technicians of the American Continent, like the one held in Santiago, Chile, in December 1949, will be held in Cuba some time near the end of this year or the beginning of 1952, and the Board plans to be represented. This is purely an interbank conference dealing with central bank technique and involves no outside representation, though it is arranged with the State Department's knowledge and approval.

"Under the terms of the Federal Reserve Act, the Board has special responsibility with respect to relationships and transactions of Federal Reserve Banks with foreign banks. The Federal Reserve Bank of New York has a large continuous volume of financial transactions of an international nature which entail frequent visits from the officials of foreign countries and central banks to the United States and corresponding calls abroad by representatives of the New York Bank. The Board's responsibility in this field forms part of the occasion for trips made from time to time by its representatives. None of these visits, however, entail conferences of the type outlined in your letter."

Approved unanimously.



Secretary.