

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, October 17, 1951.

PRESENT: Mr. Norton, Chairman pro tem.
Mr. Powell

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

Memorandum dated October 12, 1951, from Mr. Marget, Director, Division of International Finance, recommending an increase in the basic salary of Miss Dorothy Grifasi, Clerk-Stenographer in that Division, from \$2,955 to \$3,035 per annum, effective October 28, 1951.

Approved unanimously.

Memorandum dated October 15, 1951, from Mr. Bethea, Director, Division of Administrative Services, recommending an increase in the basic salary of Mrs. Louise L. Hiller, Key Punch Operator in that Division, from \$2,730 to \$2,810 per annum, effective October 28, 1951.

Approved unanimously.

Memorandum dated October 15, 1951, from Mr. Leonard, Director, Division of Bank Operations, recommending an increase in the basic salary of Miss Barbara Bauman, Clerk in that Division, from \$2,730 to \$2,810 per annum, effective October 28, 1951.

Approved unanimously.

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

"Thank you for your letter of October 10, 1951, advising that Mr. George Garvy has been granted a leave

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"of absence with pay for a period of six to eight weeks in order that he may work with the International Bank for Reconstruction and Development in assisting the Government of Nicaragua in formulating a development program.

"The Board of Governors will interpose no objection to the arrangements which have been made by the Federal Reserve Bank as stated in your letter."

Approved unanimously.

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

"This refers to your letter of October 8, 1951, requesting an increase in the 'contingent fund of \$100,000' in connection with the Detroit Branch building.

"It appears to the Board that any expenditure for repaving the alley and the cost of cleaning and pointing all exterior marble on the old building are, as indicated in your letter, properly chargeable to expense and not to the contingent fund. The cost of landscaping the front of the building, however, would appear to be a capital expenditure, but one chargeable to land rather than to building account.

"The Board has considered the request and authorizes an increase of \$50,000 in the allowance for contingencies in connection with the Detroit building project. This represents an increase to approximately \$3,915,000 in the total expenditure authorized for the Detroit Branch building in the Board's telegram of August 5, 1949."

Approved unanimously.

Mr. Sherman reported that the Comptroller of the Currency would issue a call on October 22, 1951, on all national banks for reports of condition as of the close of business on October 10, 1951, and that, in accordance with the usual practice and the Board's letter of October 12, 1951, a call would be made on October 22 on behalf of the Board of Governors

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of the Federal Reserve System on all State member banks for reports of condition as of October 10, 1951.

This call to be made on behalf of the Board on October 22, 1951, was approved unanimously.

Telegram to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits, under the provisions of section 5144 of the Revised Statutes of the United States, to Transamerica Corporation, San Francisco, California, entitling such organization to vote the stock which it owns or controls of First National Bank of Arizona, Phoenix, Arizona, and The First National Bank of Eugene, Eugene, Oregon, at any time prior to February 15, 1952, to act upon proposals (1) to increase the capital stock of such banks, and (2) to amend the articles of association of such banks to conform to articles recommended by the Comptroller of the Currency, provided that all actions taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.

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

"Reurtel October 15. Board approves effective October 19, 1951, on purchases of Government securities under resale agreement minimum rate of 1/8 per cent below average issuing rate on most recent issue of three-month Treasury bills, as authorized by Federal Open Market Committee October 4, 1951. Otherwise

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"Board approves establishment without change of other rates of discount and purchase in existing schedules."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"The purpose of this letter is to assist your Bank in having current information as to the views of the Board with respect to questions that have been raised from time to time in the past as to whether the installation of heating, cooling, and ventilating equipment is a major addition or major improvement within the meaning of Regulation X. For example, if the cost of installing air conditioning equipment exceeds the applicable cost test in section 2(g) of the regulation, is the installation a major improvement? Similarly, if new heating equipment is installed at the same time other additions and improvements to a residence are made, should the cost of the heating equipment, as well as the cost of the other additions and improvements, be considered in determining whether the cost tests are met?

"More recently, a large chain grocery corporation inquired through a Federal Reserve Bank whether the installation of combination heating, cooling, and ventilating equipment is a major addition or improvement if installed by the corporation as lessee, when the lease provides that such equipment shall not become a part of the realty but shall retain its status as personalty and may be removed by the lessee at any time.

"Because of the various types and variations of equipment that may be installed, and because of the differences in the degree of attachment to the structure and the necessary structural changes incident to the installation, the Board believes it is impossible to prescribe any general rule which will be fairly applicable to all situations that possibly may arise. However, we believe that ordinarily the installation of such equipment is a major addition or improvement if the applicable cost test of section 2(g) is met and, in answering the inquiry of the chain grocery corporation referred to above, the Board took the position that the

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"equipment in question was subject to the regulation if the cost test was met. Moreover, in answering an earlier inquiry concerning the installation of air conditioning in a cafe, the Board in its reply to a Federal Reserve Bank answered as follows:

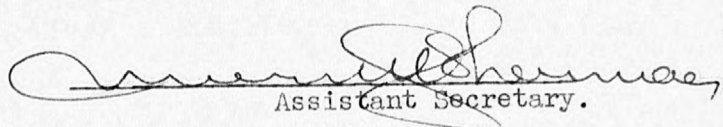
'This refers to your letter of May 17, 1951, and enclosures, concerning a request from _____ for a ruling as to whether the installation in a cafe of two air conditioning units will be a major improvement to a non-residential structure within the meaning of section 2(g) of Regulation X.

'The inquiry refers to two units known as a Carrier Weathermaker _____ and a Carrier cooling tower _____. From your letter, it is our understanding that the Weathermaker can be installed separately, or that the two units can be installed together.

'We understand from your independent investigation that when the two units are installed together they are connected with pipe to the water system in the structure, that a water pump also is installed, and that ordinarily there must be certain changes in the electrical system in the structure in order to take care of the higher voltage. Based upon this understanding, we believe the installation of the two units will be an "improvement which becomes * * * physically attached to and a part of the structure * * *" within the meaning of that phrase as used in section 2(g) of the regulation and will be a "major improvement" to a nonresidential structure if the cost tests are met. In this particular case, it will be a major improvement if the structure in which it is to be installed does not have an appraised value of more than \$ _____.

'We do not fully understand from your letter the factual situation if the Weathermaker is installed and used separately from the cooling tower. However, if the degree of attachment to the structure and the necessary changes in the electrical and plumbing systems are comparable, its separate installation also will be a "major improvement" if the cost tests in the regulation are met.'

Approved unanimously.


Assistant Secretary.