

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, November 23, 1951.

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

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 November 21, 1951, were approved unanimously.

Telegrams to the Federal Reserve Banks of Philadelphia, Cleveland, Richmond, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Cleveland on November 18, by the Federal Reserve Bank of St. Louis on November 19, by the Federal Reserve Bank of San Francisco on November 20, by the Federal Reserve Banks of Philadelphia, Richmond, and Kansas City on November 21, by the Federal Reserve Bank of Minneapolis on November 21 and 23, and by the Federal Reserve Bank of Dallas on November 23, 1951, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors, The Chase Bank, 18 Pine Street, New York, New York, reading as follows:

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"There are enclosed two copies of the report of examination of the Paris Branch of The Chase Bank, made as of July 31, 1951, by examiners for the Board of Governors of the Federal Reserve System. The second copy of the report is for the information and files of Vice President William H. Reese, the officer in charge of the Paris Branch.

"Your courtesy in acknowledging receipt of the report will be appreciated."

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

Letter to Mr. Cecil R. Berry, President, The Bloomfield
Bank and Trust Company, Bloomfield, New Jersey, reading as follows:

"This is in response to your letter of November 2, 1951, in which you have raised a question concerning the provision contained in the Supplement to Regulation Q which fixes different rates of interest on time deposits having varying maturities or payable upon written notice within specified periods.

"By section 19 of the Federal Reserve Act, as amended by the Banking Acts of 1933 and 1935, the Board is required to limit the rate of interest which may be paid by member banks on time and savings deposits and to prescribe different rates according to one or the other of several different bases stated in the statute, the first of which is according to deposits 'having different maturities'. After careful consideration and consultation with the twelve Federal Reserve Banks, a committee of the American Bankers Association, and others, the Board determined that this basis was the most practical and equitable basis which might be followed in carrying out the regulatory responsibility placed upon it by Congress.

"It is evident that banks are justified in paying a greater rate of interest on time deposits having longer maturities than on time deposits having shorter maturities, since the former will have greater earning value to the bank than the latter. If a deposit has no specific term of maturity but a notice of withdrawal is required, its

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"potential maturity is the length of the period of such required notice. For this reason the Supplement to Regulation Q prescribes the same maximum interest rate on a time deposit with respect to which a specified period of notice of withdrawal is required as it does with respect to a time deposit having a specified maturity of the same period."

Approved unanimously.

Telegram to Mr. Melnicoff, Head, Department of Selective Credit Regulation of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reurlet November 8 about application of Morrisville Shopping Center, Inc., for an exemption from Regulation X under section 5(m) for construction of shopping center in Morrisville, Pennsylvania. This section of the regulation applies only to proposed nonresidential construction essential to the national defense, and was provided to facilitate the legislative and administrative programs of departments and agencies of the United States Government which have a responsibility in the furtherance of the national defense program to encourage specific forms of nonresidential construction. We know of no appropriate agency of the United States Government that could certify the Morrisville Shopping Center as essential to the national defense. We consider the proposed construction to be subject to the nonresidential provisions of Regulation X."

Approved unanimously.


Secretary.