

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 11, 1952.

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

Mr. Carpenter, Secretary
Mr. Kenyon, Assistant Secretary

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 10, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of Boston, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, and Kansas City stating that the Board approves the establishment without change by the Federal Reserve Bank of Boston January 7, by the Federal Reserve Bank of Atlanta on January 9, and by the Federal Reserve Banks of Richmond, Chicago, St. Louis, Minneapolis, and Kansas City on January 10, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Blair, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

"Board of Governors of the Federal Reserve System approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated January 10. It is noted that your Bank rescinded action advised in December 27, 1951, telegram and that minimum buying rate of 1-3/4 per cent on bankers' acceptances, in which no change became effective, is being continued."

Approved unanimously.

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

"Board of Governors of the Federal Reserve System approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated January 9. It is noted that your Bank reversed action advised in December 26, 1951, telegram and that minimum buying rate of 1-3/4 per cent on bankers' acceptances, in which no change became effective, is being continued."

Approved unanimously.

Telegram to Mr. Gilbert, President, Federal Reserve Bank of Dallas, reading as follows:

"Board of Governors of the Federal Reserve System approves establishment by your Bank, without change, of rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated January 10. Since Board of Governors has approved minimum buying rate on bankers' acceptances of 1-3/4 per cent schedule of effective rates mentioned in your January 10 telegram does not need Board's approval. However, please advise currently of future changes in such rates."

Approved unanimously.

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

"In the course of a report to the other members of this Board concerning his recent trip to Europe Governor R. M. Evans referred to his conversations with the officers of several American bank branches abroad and to the keen interest which these officers had displayed in the Federal Reserve System and its functions.

"It was the thought of the Board that it would like to address letters to the managers of such branches to indicate

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"to them that whenever they or their staff had occasion to come to this country the Board would be pleased to have them include a visit to this organization in their itinerary. A draft of a suggested letter is attached, and we should appreciate your advising us whether this idea appeals to you. If it does, we should further appreciate your furnishing us for mailing purposes a list of the names of the managers of your foreign branches. As you will note, the letter would also invite any branches not currently receiving our monthly Federal Reserve Bulletin to request this publication on a complimentary basis if they feel it would be useful.

"We shall await with interest any suggestions or comments you may have in this connection."

Approved unanimously, together with similar letters to Bankers Trust Company, New York, New York, Guaranty Trust Co. of New York, The Hanover Bank, New York, New York, The First National Bank of Boston, The National City Bank of New York, and Bank of America, National Trust and Savings Assn., San Francisco, California.

Letter to Mr. Latham, Vice President, Federal Reserve Bank of Boston, reading as follows:

"In accordance with the request contained in your letter of January 8, 1952, the Board approves the appointment of Arthur Keeler Fitch as an assistant examiner for the Federal Reserve Bank of Boston. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the requests contained in your two letters of January 8, 1952, the Board approves the

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"appointments of Russell R. Berman and Charles J. Stangel as assistant examiners for the Federal Reserve Bank of Cleveland. Please advise us of the dates upon which the appointments are made effective."

Approved unanimously.

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

"From time to time suggestions have been made, both at the Reserve Banks and at the Board, concerning possible changes in Regulation W which might assist in preventing certain evasive practices and in strengthening compliance. A list of possible changes in the regulation in this connection is attached.

"Our purpose in bringing the list to the attention of the Reserve Banks at this time is the belief that it could well be the subject of profitable discussion at the forthcoming Interbank Conferences on the regulation. Of course, the list is not exclusive, and it is hoped that you will add to the list any further ideas or suggestions for changes in this connection."

Approved unanimously.

Letter to Mr. Gilbert, President, Federal Reserve Bank of Dallas, prepared in the light of discussion at the meeting on January 10, 1952, reading as follows:

"This refers to your letter of December 21, 1951, with its enclosures, regarding the practice being followed by some banks in Texas in soliciting bank accounts by offering to collect at par checks drawn on nonpar points in Louisiana. Presumably, as indicated in your letter, the member banks have an arrangement with an insured nonmember bank whereby that bank absorbs exchange on nonpar items sent to it by the member banks.

"On several occasions in the past, instances in which member banks in other parts of the country apparently are

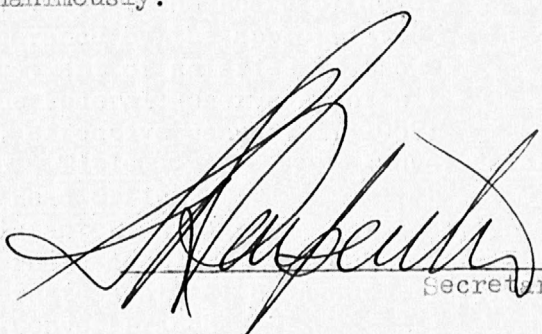
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"following a similar practice have been brought to the Board's attention. The most recent was a case involving a member bank in the First Federal Reserve District which was reported to the Board by the Office of the Comptroller of the Currency; and, for your information, there is enclosed a copy of a letter written by the Board on September 7, 1951, to Acting Comptroller of the Currency J. L. Robertson in connection with that case. As indicated in that letter, the Board feels that the practice is undesirable in that it lends support to the making of exchange charges by nonmember banks and encourages the circuitous routing of checks. However, since the member bank does not itself absorb exchange charges, the Board has expressed the view that the practice does not appear to involve a payment of interest by the member bank in violation of the law or the Board's Regulation Q.

"For your confidential information, this matter has been taken up informally with the Federal Deposit Insurance Corporation and we shall, of course, advise you in due course of any further developments in this connection."

Approved unanimously.



Secretary.