

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, January 16, 1952.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Evans
Mr. Norton
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 January 15, 1952, were approved unanimously.

Memorandum dated January 15, 1952, from Mr. Marget, Director, Division of International Finance, recommending the appointment of Evelyn Ruth West as a Clerk-typist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,750 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

Memorandum dated January 15, 1952, from Mr. Allen, Director, Division of Personnel Administration, recommending the appointment of Mary Jane Coughlin as a Clerk-typist in that Division, on a temporary indefinite basis, with basic salary at the rate of \$2,950 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination

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and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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

"In accordance with the request contained in your letter of January 11, 1952, the Board approves the designation of Elmer Knoch, as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

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

"We are advised that the Federal Reserve Bank of New York has forwarded directly to Mr. Van Nice a number of copies of a memorandum regarding the Bank Examination and Supervisory Function of the Federal Reserve System. The Board has been requested to consider the conclusions expressed therein, particularly conclusion numbered 3 appearing on page 15 of the memorandum, a copy of which is enclosed.

"It is felt that it would be desirable that the matter be discussed by the Conference of Presidents and by the Conference with the Board. Therefore, it is requested that the subject be placed on the agenda for the next Conference of Presidents."

Approved unanimously.

Letter to Mr. Bryan, President, Federal Reserve Bank of Atlanta, reading as follows:

"This is to acknowledge receipt of your letter of January 8, 1952, enclosing a letter from The Citizens and Southern Bank, Atlanta, Georgia, together with a certified copy of a resolution adopted by the bank's board

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"of directors on January 2, 1952, rescinding the action taken on September 12, 1951, signifying intention to withdraw from the Federal Reserve System.

"No further action is necessary for continuance of the bank as a member of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Pondrom, Vice President, Federal Reserve Bank of Dallas, reading as follows:

"Reference is made to your letter of December 31, 1951, regarding the capital situation of the State Bank and Trust Company, San Marcos, Texas, in the event of retirement of its outstanding RFC debentures.

"There has been no change in the Board's position as stated in Mr. Millard's letter to Mr. DeMoss dated December 13, 1948, to the effect that the statutes do not permit a retirement of RFC debentures which would result in a decrease in capital below the amount required for the organization of a national bank in the place where the State member bank is located.

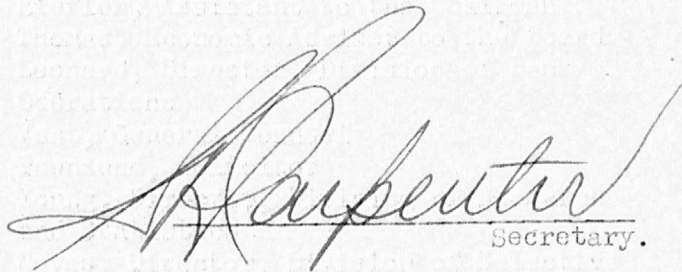
"It is understood that the population of San Marcos, according to the 1950 census, is 9,961 and a capital of \$100,000 would be required for the organization of a national bank there. When the subject bank was admitted to membership in 1939, however, the legal capital requirement was only \$50,000 as the population of the town at that time was less than 6,000. In 1939 the bank's capital funds aggregated \$110,600, including \$50,000 common stock and \$47,200 RFC debentures, whereas the bank's call report of October 10, 1951, shows capital funds of \$246,400, including \$50,000 common stock and \$39,300 RFC debentures. During this period of time the deposits of the bank have increased from \$673,000 to \$4,825,000, and it would appear that regardless of legal requirements an increase in the bank's capital would be desirable. In the event that the \$39,300 of debentures are retired, the bank would be required to increase its capital only by that amount.

"It is noted that the principal reasons the management of the bank has heretofore opposed an increase in the common capital

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"were the resulting increase in its local taxes and the fact that the competitor national bank increased its capital to only \$60,000 when it retired \$12,000 preferred stock in 1947. In this connection, it is noted from the bank directory, as of June 1951, that the national bank has common capital of \$75,000 and surplus of \$75,000 and, therefore, it would appear that the subject bank, even though it increased its common capital upon the retirement of the debentures, would pay less taxes on common capital of \$89,300 and surplus of \$16,000 than its competitor."

Approved unanimously.


Secretary.