

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 24, 1952.

PRESENT: Mr. Martin, Chairman

Mr. Szymczak

Mr. Evans

Mr. Vardaman

Mr. Powell

Mr. Mills

Mr. Robertson

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 March 21, 1952, were approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent, Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your letter of March 18, 1952, the Board of Governors approves, effective April 1, 1952, the payment of salaries to the following named members of the Federal Reserve Agent's staff at the rates indicated:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>New Orleans Branch</u>	
Desire J. Ducamus	Federal Reserve	\$3,600
	Agent's Representative	
Henry B. Hoppe	Federal Reserve	4,560"
	Agent's Representative	

Approved unanimously.

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

"Retel March 20. Board approves retaining of Mayer, Meyer, Austrian & Platt and Holt & Kearney as special counsel in tax matter on terms stated in your telegram."

Approved unanimously.

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Letter to Mr. Seville S. Reulein, Vice President, The First National Bank of Ithaca, Ithaca, New York, reading as follows:

"This is with reference to your letter of March 4 in which you inquire regarding the applicability of subsection (b), section 11 of Regulation F to a sale and transfer to The First National Bank of Ithaca of three real estate mortgages previously held among the assets of an estate for which the bank was acting under an appointment as executor. You state that the transfer of these mortgages to the bank was made at the full amount of unpaid principal and interest and in accordance with advice from your attorney that the bank desired to relieve itself of a contingent or potential liability apparently arising from the acquisition or retention of such mortgage loans. You further state that the transfer of these assets to the bank has been the subject of criticism by the National Bank Examiner as being in violation of the above-mentioned section of Regulation F.

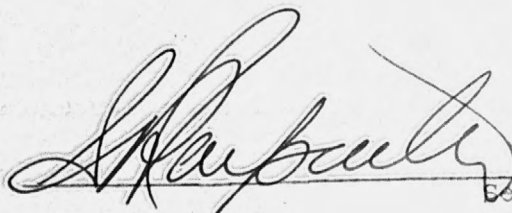
"Subsection (b), section 11 of Regulation F forbids the sale of trust assets by a national bank to itself except in cases in which the bank has incurred a contingent or potential liability to a trust estate. The nature of the contingent or potential liability in the case under discussion and the circumstances creating it are not clear from your letter. It is possible that the original acquisition of the mortgage loans in question by the decedent involved factors such as to impose a contingent liability upon the bank as executor. On the other hand, if these mortgage loans were acquired by the national bank among the assets forming the original inventory of the estate and without the involvement of any element of self-dealing or other conflict of interest, the basis for the existence of a contingent or potential liability is not apparent. The requirement imposed on the executor to liquidate the assets of an estate in order to effect its prompt settlement within the terms and requirements of the will of the deceased would not of itself impose a liability of the kind contemplated by subsection (b), section 11 of Regulation F. Also, the approval of the Surrogate's Court of an executor's final accounting in which such transactions were disclosed would

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"not be tantamount to an order of court directing such a transfer of assets and would have no bearing upon the question of compliance with the subject provisions of the Board's Regulation F."

Approved unanimously, with  
a copy to the Federal Reserve Bank  
of New York.



Secretary.