

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, March 28, 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 27, 1952, were approved unanimously.

Telegrams to the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on March 24, by the Federal Reserve Bank of San Francisco on March 25, and by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas on March 27, 1952, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated February 26, 1952, from Mr. Williams, Assistant Director, Division of Research and Statistics, recommending that the temporary indefinite appointments of the following employees in that Division be extended on a permanent basis, effective immediately, with

3/28/52

-2-

no change in their present basic annual salaries:

<u>Name</u>	<u>Title</u>
Joan N. Yamamoto	Clerk
Marian E. Fadeley	Clerk
Marjorie C. Capps	Clerk-Stenographer
Bruna L. Watts	Draftsman

Approved unanimously.

Memorandum dated March 17, 1952, from Mr. Vardaman, recommending an increase in the basic salary of Fletcher E. Brown, Messenger in the Board Members' Offices, from \$3,070 to \$3,150 per annum, effective March 30, 1952.

Approved unanimously.

Memoranda recommending increases in the basic annual salaries of the following employees, in the amounts indicated, effective March 30, 1952:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
	<u>Memorandum from the Secretary of the Board</u>		
3/17/52	Marjorie Eaton, Secretary to Mr. Sherman	\$3,785	\$3,910
	<u>Memorandum from Mr. Vest, General Counsel</u>		
3/17/52	Lucy I. McCulloch, Secretary to Mr. Vest	4,830	4,955
	<u>Memorandum from Mr. Young, Director, Division of Research and Statistics</u>		
3/24/52	Charles E. Fox, Jr., Economist	5,060	5,185

3/28/52

-3-

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
3/24/52	Howard G. Smith, Economist	\$4,330	\$4,455
	Winofred Racz, Clerk	3,785	3,910
	Monica F. Jones, Clerk	3,535	3,660
	Vera F. Small, Clerk-Typist	3,190	3,270

Memorandum from Mr. Marget, Director,  
Division of International Finance

3/26/52

Dorothy V. Wright, Clerk	3,495	3,575
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Memoranda from Mr. Sloan, Director,  
Division of Examinations

3/19/52

M. W. McNamara, Assistant Federal Reserve Examiner	3,795	3,920
E. K. O'Malley, Assistant Federal Reserve Examiner	3,795	3,920

3/25/52

Carl A. Smith, Assistant Federal Reserve Examiner	4,705	4,870
Elizabeth A. Kropog, Stenographer	2,990	3,110

Memorandum from Mr. Bethea, Director,  
Division of Administrative Services

3/27/52

Harry E. Kern, Supervisor, Procurement Section	4,705	5,060
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Memorandum from Mr. Boothe, Assistant Director,  
Division of Selective Credit Regulation

3/19/52

Ruth D. Stone, Secretary to Mr. Noyes	4,295	4,420
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Approved unanimously.

3/28/52

-4-

Letter to Mr. Erickson, President, Federal Reserve Bank of Boston,

reading as follows:

"In view of the circumstances described in your letter of March 19, 1952, the Board of Governors approves the payment of salary to Mr. John J. Fogg, Vice President, for the period July 1, 1952, through March 31, 1953, at his present rate of \$13,000 per annum, which is the rate fixed by your Board of Directors as indicated in your letter."

Approved unanimously.

Telegram to Mr. Wilbur, Chairman of the Federal Reserve Bank of San Francisco, authorizing him to issue a limited voting permit, 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 of the First National Bank in Delano, Delano, California, at any time prior to July 1, 1952, to act upon proposals (1) to increase the capital stock of such bank, and (2) to amend the articles of association of such bank to conform to articles recommended by the Comptroller of the Currency, provided that all action taken shall be in accordance with plans satisfactory to the Comptroller of the Currency.

Approved unanimously.

Letter to the Honorable Henderson Lanham, House of Representatives, Washington, D. C., reading as follows:

"Under date of February 11, 1952, you addressed a letter to Chairman Harl of the Federal Deposit Insurance

3/28/52

-5-

"Corporation forwarding correspondence from the Appalachian Oak Flooring and Hardwood Corporation, Ellijay, Georgia, relative to drafts drawn by the Unity Container Corporation for collection through the South Side Bank & Trust Company, Chicago, Illinois. As this bank is a member of the Federal Reserve System, your letter was referred to this office for consideration.

"In response to the Board's request, the Federal Reserve Bank of Chicago made a thorough investigation of this case, including discussion with the State Banking Department. The consensus of their views was that any claims by the Appalachian Oak Flooring and Hardwood Corporation for damages or losses should be handled by direct negotiation with the Unity Container Corporation and the South Side Bank & Trust Company, or, if necessary, through a court of equity; and that bank supervisors have no authority to become involved in a dispute of this nature.

"On the basis of the information received by this office, it appears that the controversy is one of private rights over which the Federal Reserve System has no jurisdiction. While this Board exercises certain supervisory powers with respect to banks which are members of the System, the settlement of private disputes between such banks, their customers and third parties is not within the scope of the Board's functions. Such controversies are matters for negotiation between the parties or determination by the courts.

"We regret that we are unable to be of assistance in this matter but it is hoped that you will understand the Board's position."

Approved unanimously, with  
a copy to Mr. Diercks, Vice President,  
Federal Reserve Bank of Chicago.

Letter to Mr. C. P. Loveland, Assistant Manager, Foreign Department, Girard Trust Corn Exchange Bank, Philadelphia, Pennsylvania, reading as follows:

"This is in response to your inquiry of March 7, 1952 regarding the application of subparagraph (3) of

3/28/52

-6-

"paragraph (a) of section 1 of Regulation C to a situation stated in your letter to be as follows:

'One of our clients purchases a staple commodity in bulk in a domestic market. The commodity purchased is loaded immediately and transferred in his own trucks to his plant storage. Promptly upon purchase he obtains a letter of credit to reimburse the seller but the seller, in most instances, releases the commodity before he receives the letter of credit. As our client does not operate a commercial warehouse and stores the commodity in his own premises, a standard form of warehouse receipt is not obtainable. As delivery is made from the seller's stores to our client's own trucks, no trucker's lading is obtainable.

'Would the requirements of the regulation be met if our client issued a deposit or custodial receipt which acknowledged the commodity stored as the property of the bank, subject to their sole right of disposal? The bank, in turn, to release such amount or amounts of the commodity as may be required from time to time, against Trust Receipt. Such deposit or custodial receipt(s) to be presented to the bank at the time, and in conjunction with, the presentation of any draft or drafts for acceptance under the relative letter(s) of credit.'

"The portion of section 1 of Regulation C referred to above provides as follows:

'(a) Authority. - Any member bank may accept drafts or bills of exchange drawn upon it which grow out of any of the following transactions \* \* \*:

\* \* \*

'(3) The storage in the United States or in any foreign country of readily marketable staples, provided that the draft or bill of exchange is secured at the time of acceptance by a warehouse receipt or other such document conveying or securing title covering such readily marketable staples.'

"In the circumstances which you have described, the 'deposit or custodial receipt' would be issued by the customer for whom the acceptance is made and the goods would be stored on his premises. The position of the Board over many years has been that the warehouse receipt or other such document must be issued by a person who is independent of the customer for whom the acceptance is made. Consequently, a draft or bill

3/28/52

-7-

"of exchange secured by a custodial receipt issued by the customer in the circumstances stated in your letter would not be eligible for acceptance."

Approved unanimously, with  
a copy to Mr. Hill, Vice President,  
Federal Reserve Bank of Philadelphia.

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

"This is in reference to your letter of March 20, 1952, with which you enclosed a copy of a lease form and an 'option' letter currently used by the Lincoln Lumber Company, Venice, California, in the leasing of homes. The question is whether the leasing arrangement of this Company is subject to the provisions of Regulation X.

"From the information submitted to us, we understand that the Company as lessor has leased for a period of three years a number of new homes; that the lessee is required to make a payment of rent to cover the first and last ten months of the rental period and that the Company furnishes the lessee with a letter offering the lessee the exclusive right within the thirty-sixth month of the lease to purchase the property covered by the lease.

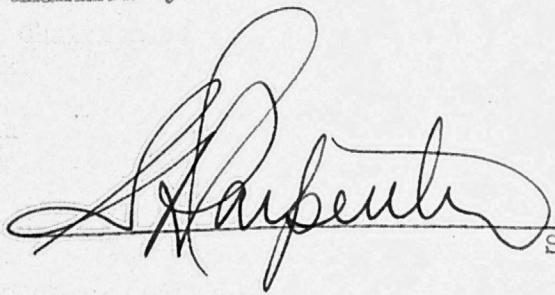
"Section 602(d)(2) of the Defense Production Act, as incorporated in section 2(c) of Regulation X, defines 'credit' as including '\* \* \* any rental-purchase contract, or any contract for the bailment, leasing, or other use of property under which the bailee, lessee, or user has the option of becoming the owner thereof, \* \* \* and any transaction or series of transactions having a similar purpose or effect.'

"We agree with your conclusion that the Company's leasing arrangement comes within the above-mentioned definition of 'credit' and, accordingly, the leasing arrangement is subject to the restrictive provisions of Regulation X. Therefore, the leasing arrangement does not comply with the regulation unless the lessee has advanced to the lessor an amount

3/28/52

"equivalent to the down payment that would be required if a sale had taken place."

Approved unanimously.



Secretary.