

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, May 21, 1952.

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

Mr. Carpenter, Secretary
 Mr. Sherman, Assistant Secretary
 Mr. Kenyon, Assistant Secretary

Minutes of the meeting of the Board of Governors of the Federal Reserve System with the Federal Advisory Council held on May 20, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 20, 1952, were approved unanimously.

Memorandum dated May 20, 1952, from Mr. Bethea, Director, Division of Administrative Services, recommending that the resignation of Lillian E. Hughes, Trainee (IBM Key Punch Operator) in that Division, be accepted to be effective, in accordance with her request, at the close of business May 19, 1952.

Approved unanimously.

Memorandum dated May 20, 1952, from Mr. Vest, General Counsel, stating that A. M. Stone, Clerk-Stenographer in the Legal Division, had applied for retirement on account of disability under the Board's Retirement Plan, effective June 1, 1952.

Noted.

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Letter to Mr. Hill, Vice President, Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with the request contained in your letter of May 16, 1952, the Board approves the appointment of William H. Soule, as an examiner for the Federal Reserve Bank of Philadelphia. If the appointment is not made effective June 1 as planned, please advise us.

"It is understood that Mr. Soule has agreed to liquidate his indebtedness at the national banks and will place the mortgage loan at the State member bank with either a nonmember bank or building and loan association on approval of his appointment."

Approved unanimously.

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

"In accordance with the request contained in your letter of May 15, 1952, the Board approves the appointment of Kenneth Clemmer Robinson, as an assistant examiner for the Federal Reserve Bank of Cleveland.

"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 request contained in your letter of May 15, 1952, the Board approves the appointment of John A. Poelking as an assistant examiner for the Federal Reserve Bank of Cleveland.

"Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

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

"Reference is made to your letter of May 16, 1952, enclosing a certified copy of a resolution adopted by the Board of Directors of The Commercial Banking & Trust Company, Wooster, Ohio, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice of such withdrawal. It is understood that the bank has applied to the Federal Deposit Insurance Corporation for continuance of insurance of its deposits.

"In view of your recommendation, the Board of Governors waives the requirement of six months' notice of withdrawal. Accordingly, upon surrender of the Federal Reserve Bank stock issued to The Commercial Banking & Trust Company, Wooster, Ohio, you are authorized to cancel such stock and make appropriate refund thereon. Under the provisions of the Board's letter of February 19, 1937 (F.R.L.S. #3548) the bank may accomplish the termination of its membership at any time within four months of the date of this letter. If a longer period is required the bank should request an extension of time. Please advise when cancellation is effected and refund is made.

"The certificate of membership issued to the bank should be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised of the bank's proposed withdrawal from membership and the date such withdrawal becomes effective.

"It is noted that the bank is withdrawing because it does not have the minimum capital stock required by Federal statute for the establishment of an out-of-town branch."

Approved unanimously.

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

"The recommendations of the Committee on Collections and Accounting, accepted at the meeting of the Conference of Presidents last September, included the recommendation --

That each Federal Reserve Bank and branch analyze the data submitted in the report with

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"a view to developing methods of reducing float absorption beyond those assumed as a matter of Bank policy. (The report referred to is 'Federal Reserve System Float Survey - Week of July 16-21, 1951' prepared by Mr. M. E. Lysen, Operating Research Officer of the Federal Reserve Bank of Minneapolis, dated September 14, 1951.)

"The Board is deeply interested in developments regarding the amount and fluctuations in the amount of float. It will be appreciated, therefore, if you will advise the Board as to the result of such analyses or studies at your Bank and as to any significant developments in the matter of float absorption. Any suggestions for reducing the amount of float absorbed other than that absorbed as a result of Bank policy with respect to time schedules will also be appreciated."

Approved unanimously.

Memorandum dated May 12, 1952, from Mr. Leonard, Director, Division of Bank Operations, recommending, for reasons stated therein, that subsection (d) of section 3 of Regulation Q, Payment of Interest on Deposits, be amended to read as follows, effective July 1, 1952, provided the Federal Deposit Insurance Corporation took similar action with respect to its comparable regulation:

"(d) Grace periods in computing interest on savings deposits. - A member bank may pay interest on a savings deposit received during its first 10 business days of any calendar month commencing a regular quarterly or semi-annual interest period and during its first 5 business days of any other calendar month at the applicable maximum rate prescribed pursuant to subsection (a) of this section calculated from the first day of such calendar month until such deposit is withdrawn or ceases to constitute a savings deposit under the provisions of this regulation, whichever shall first occur; and a member bank may pay interest on a

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"savings deposit withdrawn during its last three business days of any calendar month ending a regular quarterly or semi-annual interest period at the applicable maximum rate prescribed pursuant to subsection (a) calculated to the end of such calendar month."

Approved unanimously.

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

"In accordance with your conversation with Mr. Noyes, we understand that your Bank will process for compliance with Regulation X certain construction projects of Continental Properties Company of Oakland, California. Copies of the statements which were forwarded to us in conjunction with a letter from Continental, dated March 26, 1952, were sent to Mr. E. R. Millard shortly after their receipt so that your Bank would have information about matters affecting your district which were being considered by the Board. Hence, copies of all information which we have received from Continental Properties Company are in your possession.

"We have received the letter and statements forwarded by Mr. G. T. Burroughs, Manager of Continental Properties Company, but are unable to make decisions respecting each case, inasmuch as Mr. Burroughs does not state the problems in terms of Regulation X and, therefore, necessary factual material is lacking. We have, however, made the following observations:

1. It is possible that some of the construction programs were started before August 3, 1950; hence, Regulation X would not be involved in such cases.
2. In other cases, it would seem that construction programs may have been started after August 3, 1950, and before February 15, 1951, and are now uncompleted. The exemption provided by section 5 (k) may afford some relief, provided, of course, financing is arranged within 32 days after completion.
3. With reference to those modernization jobs which were started before February 15, 1951,

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"to which the regulation applies but on which work was suspended pending clarification of the effect of the regulation, we would be inclined to permit completion of such modernization and apply the exemption provided in section 5(k).

"We enclose a copy of a letter we are sending Mr. Burroughs today, informing him that the Federal Reserve Bank of San Francisco will process the applications. We also enclose a copy of a letter we have forwarded, at your suggestion, to six other Federal Reserve Banks in whose districts the various properties are located, stating the arrangement made between you and the Board for handling this situation.

"We greatly appreciate your kindness in agreeing to process the Continental transactions. We shall also appreciate hearing from you when you have had an opportunity to consider the problems presented by Continental."

Approved unanimously, together with letters to the Presidents of the Federal Reserve Banks of Richmond, St. Louis, Kansas City, Chicago, Minneapolis, and Dallas advising them of the procedure which would be followed.

Letter to the Presidents of all Federal Reserve Banks, prepared in accordance with action taken by the Board on May 13, 1952, reading as follows:

"For a number of years the Board has followed the practice of reporting to you at the end of each month the amount of the Reserve Bank's balance in the Interdistrict Settlement Fund, and requesting official confirmation with respect thereto. Accompanying such request you have been furnished with a statement showing transactions in the account during the month and the balance at the end of the month.

"Following a review and revision of the Board's internal procedures relative to the Interdistrict Settlement Fund, it has been decided not to require official confirmation of these balances in the future; however, the usual

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"monthly statements will continue to be furnished to you. It is understood, of course, that any discrepancy between the statement and your records will be promptly brought to the Board's attention. It is also assumed that your bank will continue to notify the Board by telegraph immediately of any difference disclosed by checking the previous night's balance as reported in the daily settlement telegram or any difference otherwise noted."

Approved unanimously, together with a similar letter to the Federal Reserve Agents at all Federal Reserve Banks.



Secretary.