

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 21, 1952. The Board met in the Board Room in executive session at 10:00 a.m.

PRESENT: Mr. Martin, Chairman
Mr. Szymczak
Mr. Vardaman
Mr. Mills

Following the executive session, the Chairman informed the Secretary that the Board had taken the following actions:

Unanimous approval was given to a letter to the Honorable Jesse M. Donaldson, Postmaster General, reading as follows:

"Reference is made to the arrangement under which the Federal Reserve Banks have been handling the new form of United States postal money orders for the Post Office Department since July 1, 1951.

"This arrangement provided that for the first year the Reserve Banks would be reimbursed at the rate of \$3 per thousand items for part of their cost in handling the operation; that they would maintain records of the volume of money orders and expenses of the operation; and that prior to June 30, 1952, representatives of the Post Office Department and of the Reserve Banks would meet to consider the basis for reimbursement for the year beginning July 1, 1952, in the light of actual experience.

"Even before the new form of Post Office money order was put in use last July, it became evident, as described in the Board's letter to you of June 27, 1951, that the costs had been substantially underestimated, largely because the IBM machines designed for the operation did not produce at the rate originally assumed.

"Nevertheless, the Board advised you that the Reserve Banks would be willing to conduct the operation during the first year at the rate of reimbursement originally agreed

7/21/52

-2-

upon but that, as contemplated by the original agreement, they would expect an appropriate adjustment in the rate to be applied thereafter.

"The meeting with representatives of the Post Office Department provided for in the arrangement was held in May. Based on actual experience, the Subcommittee on Collections of the Conference of Presidents of the Federal Reserve Banks estimated the cost of handling money orders during your fiscal year 1953 at \$6.07 per thousand. The Subcommittee advised your representatives that it was prepared to recommend that the Federal Reserve Banks agree to a reimbursement rate of \$4.28 per thousand items for the year beginning July 1, 1952. That rate would have the effect of distributing between the Post Office Department and the Reserve Banks the estimated cost in the same proportion as had been contemplated when the reimbursement rate of \$3 per thousand items the first year was originally proposed. It was understood that representatives of the Post Office Department who attended the meeting would recommend acceptance of the new rate.

"The Subcommittee's recommendation has been approved by the Conference of Presidents of the Federal Reserve Banks and concurred in by the Board. Accordingly, this is to advise you that the Reserve Banks are prepared to continue present operations with respect to handling postal money orders for the fiscal year ending June 30, 1953, at a reimbursement rate of \$4.28 per thousand items.

"While the Reserve Banks are willing to absorb costs for the current year in the same proportion as had been contemplated when the arrangement was made for the first year, they feel that this should not establish a precedent but that an appropriate basis for distribution of costs beyond this second year should depend upon further study of the operation and analysis of the costs involved. The Reserve Banks will continue to maintain records of the volume of money orders and expenses of the operation and contemplate additional studies and analyses. The results of such studies and analyses and the basis for reimbursement for the year commencing July 1, 1953, will, of course, be discussed with representatives of the Post Office Department before June 30, 1953."

7/21/52

-3-

Unanimous approval was also given to a letter to the Presidents of all Federal Reserve Banks in the following form:

"There is enclosed herewith a draft of Regulation H, with amendments necessary to conform to the recently enacted capital requirements bill, S. 2938. The draft of the regulation shows old provisions stricken out and new matter inserted in capitals. The sole purpose of the changes, with one or two minor exceptions, is to bring the regulation into conformity with existing law. If you should have any comments or suggestions about these proposed changes in Regulation H, we will appreciate receiving them sometime in the next ten days, so that the Board can take action upon the regulation."

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 15, 1952, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 16, 17, and 18, 1952, were approved and the actions recorded therein were ratified unanimously.

Letter to the Board of Directors, The Commercial Bank of Oregon, Hillsboro, Oregon, reading as follows:

"Pursuant to your request submitted through the Federal Reserve Bank of San Francisco, the Board of Governors approves the establishment and operation of branches at Newberg, Tillamook, St. Paul, Cloverdale, and Wheeler, Oregon, by The Commercial Bank of Oregon, Hillsboro, Oregon, provided the proposed merger with The Commercial Bank of Newberg, Oregon, and The Commercial Bank of Tillamook, Tillamook, Oregon, is effected substantially in accordance with the plans submitted and prior formal approval of the appropriate State authorities is obtained."

7/21/52

-4-

Approved unanimously, for transmittal through the Federal Reserve Bank of San Francisco.

Letter to Mr. N. C. Lenfestey, Vice President and Cashier, The National City Bank of New York, New York, New York, reading as follows:

"This refers to your letter of July 8, 1952, enclosing a photostat of a letter from Fiscal Assistant Secretary of the Treasury E. F. Bartelt to Vice President Floyd G. Blair of your bank, dated June 20, 1952, and a copy of resolutions adopted by the Board of Directors of your bank on July 8, 1952, both relating to the request of the Treasury Department that your bank furnish limited banking facilities at Camp Zama, Japan.

"The Board of Governors will interpose no objection to The National City Bank of New York establishing limited banking facilities at Camp Zama, Japan, under its designation as a Depository of Public Moneys of the United States, as requested by the Treasury Department.

"It will be appreciated if you will advise the Board of Governors in writing, through the Federal Reserve Bank of New York, as to the date the proposed facilities are established and opened for business at Camp Zama, together with information as to which of your branches in Japan will have supervision over such activities at Camp Zama."

Approved unanimously, for transmittal through the Federal Reserve Bank of New York.


Secretary.