

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

November 20, 1945.

To: Chairman Eccles

From: Mr. Hammond 

Attached is a report on the activities of the Staff Group on Foreign Interests which I have prepared for Mr. Sproul, Mr. Szymczak, and you, who constitute the Policy Group as arranged at our meeting here May 4 last. Copies are being sent Mr. Sproul and Mr. Szymczak separately.

Attachment

November 20, 1945.

To: Chairman Eccles
Mr. Szymczak
Mr. Sproul

From: Mr. Hammond, Secretary, the Staff Group on Foreign Interests

At a meeting at the Board's offices May 4, 1945, for discussion of Foreign Missions, it was arranged that there should be a staff group on foreign interests comprising members of the staff of both the Board and the Federal Reserve Bank of New York and an informal policy group comprising Chairman Eccles, Mr. Szymczak, and Mr. Sproul.

Several meetings have been held since then and at the latest one in New York, August 9, it was suggested that a periodic report covering the activities of the staff group be made to the policy group. This would briefly indicate the subjects discussed and include matters that had already been taken up with the policy group informally.

The staff group has held meetings as follows:

May 23, Washington
June 18, Washington
August 9, New York.

The participants in these meetings have included the following:

Miss Bourneuf	Mr. Triffin
Mr. Chase	Mr. Vest
Mr. Gardner	Mr. Thomas, Chairman
Mr. Grove	Mr. Hammond, Secretary
Mr. Morrill	

of the Board's staff

Mr. Kriz	Mr. Sanford
Mr. Knoke	Mr. Sumberg
Mr. Marsh	Mr. Tiebout
Mr. Moore	Mr. Wallich

of the Federal Reserve Bank of New York

Mr. Bopp of the Federal Reserve Bank of Philadelphia

The following principal topics have been discussed at one or more of these meetings:

Pan American Trust Company - The problem presented by the Bank of

Mexico's purchase of a controlling interest in the Pan American Trust Company of New York was discussed at the meeting on May 23 and again on June 18. These discussions were held before Mr. Gomez of the Bank of Mexico called at the Board July 6. They led to the conclusion that the System's aim should be complete dissociation of the Trust Company from ownership by the Bank of Mexico, but that the Bank of Mexico should be allowed a reasonable time within which to sell the stock. This arrangement was agreed to subsequently by the Bank of Mexico in correspondence with the Board.

During the discussion of this question consideration was given, incidentally, to the problem of the control of foreign official assets in our money market. It was realized that while the Bank of Mexico's control of the Pan American Trust Company did not itself present a serious problem from the point of view of the amount of funds involved, it did present a possible embarrassment in respect to measures that might be eventually desirable in order to give the System control over foreign official assets in our market.

The Dominican and Guatemalan Missions - At the meeting of June 18, the request for the services of Federal Reserve System experts in advising the Dominican and Guatemalan authorities regarding proposed changes in their banking and monetary laws were discussed and it was considered desirable that Mr. Triffin, Mr. Wallich, and Mr. Grove carry out these missions, Mr. Wallich to work in the Dominican Republic and Mr. Grove in Guatemala, with Mr. Triffin supervising both projects. These missions were subsequently undertaken and are now in progress.

Export Credit Insurance - The question of advisability of Governmental action in the field of export credit insurance, particularly with reference to the export trade of small businesses, was discussed at the June 18 meeting and more at length at the August 9 meeting. At the latter, consideration was given especially to a request from the Senate Committee on Small Business for a study of Foreign Trade Financing. This study and the questionnaire to be used in it were the subject of an additional special meeting on August 10 in Washington at which time persons most directly concerned participated. This project has been carried out, with the cooperation of the Federal Reserve Banks of New York, Atlanta, Chicago, St. Louis, and San Francisco, and a report has been submitted to the Senate Committee.

Functions and Operations of the Federal Reserve System in Relation to the International Fund and Bank - This was the principal subject of discussion at recent meetings and has been the subject of increased attention especially on the part of Mr. Gardner and his staff and of the New York Bank staff meantime. The discussion covered the nature and importance of the depository function that the Reserve Banks and particularly the Federal Reserve Bank

of New York might be called upon to perform for the International Fund and Bank; the nature and importance of the fiscal agency operations that would need to be performed for the International Fund and Bank; the relative advantages of New York and Washington as the seat of the International Fund and Bank; the question of the existing powers of the Federal Reserve Banks to lend to the International Fund and Bank and to foreign banks, and of possible additional powers which it might be desirable to have; and the functions and powers of the National Advisory Council.

Export-Import Bank - There was also discussion of the functions and operations of the Federal Reserve System in relation to the Export-Import Bank, and arrangements have since been made for the Reserve System to assist in bringing the facilities of the Export-Import Bank to the attention of commercial banks.

Acceptances - The question whether it was desirable to undertake the study of acceptances in the light of changed conditions was briefly considered, cognizance being taken of the assignment in that field of the Committee of the Presidents' Conference, of which Mr. Rouse is Chairman. It is understood that material recently prepared by members of the Board's staff with respect to the revision of Regulation C, Acceptance by Member Banks of Drafts and Bills of Exchange, will shortly be submitted to the Federal Reserve Banks for their comments.

These discussions held by the staff group have not in most cases led to specific conclusions and recommendations, but they have been valuable in developing ideas of use to those persons dealing with the problems currently.