

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 26, 1946, at 10:35 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Paulger, Director of the
Division of Examinations
Mr. Vest, General Counsel
Mr. Cagle, Assistant Director of
the Division of Examinations
Mr. Townsend, Assistant General Counsel

Mr. Ransom stated that he had asked that this meeting be held so that he could report to the Board on recent developments in connection with Senate Resolution 242, which had been introduced by Senator Downey on March 20, 1946, and under which the Senate Banking and Currency Committee or any duly authorized subcommittee thereof would be authorized to make a full investigation with respect to (1) the circumstances under which agencies of the Government may grant or decline to grant banking charters or memberships in Federal agencies to banking institutions, or approve or disapprove the establishment of additional banking facilities by existing institutions, and (2) the administration of the Federal banking laws, particularly concerning the equal

3/26/46

-2-

opportunity of banking institutions to share in the benefits of such laws, and whether discrimination and unfair practices are indulged by supervisory agencies to the prejudice of particular institutions.

Mr. Ransom's statement was substantially as follows:

The resolution has been referred to a subcommittee of the Senate Banking and Currency Committee consisting of Senators Downey, Chairman, Radcliffe, Murdock, Taft, and Millikin, for the purpose of making a recommendation to the full committee as to the adoption of the resolution by the Senate.

On March 22, 1946, Mr. Delano, Comptroller of the Currency, called on the telephone and was somewhat exercised by the resolution and questioned whether the investigation was the best way to proceed. At his suggestion a meeting was held at the Treasury yesterday morning at which there were in attendance Mr. Gardner, Undersecretary of the Treasury; Mr. Harl, Chairman of the Federal Deposit Insurance Corporation; Mr. Delano Comptroller of the Currency; Mr. Upham, Deputy Comptroller of the Currency; Mr. Folger, Chief National Bank Examiner; and Mr. Townsend and myself representing the Board of Governors of the Federal Reserve System.

On March 23, 1946, I informed Chairman Eccles by telephone of the resolution and he concurred in my view that since the Board had been trying for some time to bring the whole matter of holding company legislation before Congress the Board should welcome the investigation proposed by the resolution.

At the meeting at the Treasury yesterday, Mr. Gardner asked for the views of those attending the meeting and after Mr. Delano had stated the situation as he saw it, I expressed my view (stating that Chairman Eccles concurred) that the investigation contemplated by the resolution would be a good thing and should be welcomed as being in the public interest which was the primary consideration involved. Mr. Gardner seemed to agree with that view and I suggested that one way to answer the resolution might be to perfect and submit to the committee the draft of holding company bill which was now under consideration.

3/26/46

-3-

Mr. Harl disagreed with my suggestion, expressing the view that to present the holding company bill at this time would divert the attention of the committee from the real issues involved and that in any event it would be better if the investigation contemplated by the resolution could be deferred possibly until December. Mr. Gardner did not agree with Mr. Harl as to the timing of the investigation but did agree that the presentation of the holding company bill would be an unsatisfactory response to the resolution. Mr. Gardner said that he had the holding company bill on his desk and had been studying it, that he thought it contained the term of a death sentence, and that any bill in substantially the form of the present draft would have very substantial opposition. He did feel, however, that the Downey resolution would offer the finest possible opportunity to let the holding company problem develop during the investigation. I gained the definite impression that it would be difficult to get an agreement by the banking agencies and the Treasury on a holding company bill along the lines of the present draft.

At the end of the meeting Mr. Gardner asked Mr. Delano to bring to the attention of Senator Wagner, Chairman of the Banking and Currency Committee, or, in his absence, Senator Barkley, the ranking majority member, certain facts with respect to the conduct of the investigation if it were decided that it should be made.

After stating the reasons why he felt the Board should encourage the investigation contemplated by the Downey resolution, Mr. McKee raised the question whether the Board should write a letter to Senator Wagner, Chairman of the Banking and Currency Committee, to the effect that the Board would welcome the investigation. Mr. McKee's suggestion was discussed, and while some members of the Board present were inclined to favor such a letter, no decision was reached.

There was then presented a letter addressed to Chairman Eccles under date of March 15, 1946, by Congressman Monroney, in which he requested Mr. Eccles to comment on a proposed amendment to paragraph 2 of Section 24 of the Federal Reserve Act which would permit a

3/26/46

-4-

national bank to invest in, or be liable on, loans to finance the construction of residential or farm buildings in an aggregate amount of 50 per cent of the bank's capital and surplus instead of 50 per cent of its capital only, as provided under present law.

Mr. Morrill stated that, at Mr. Ransom's request, he discussed the matter with Mr. Delano, Comptroller of the Currency, over the telephone. Mr. Delano stated that he had received a similar request from Mr. Monroney and that he had talked informally to Mr. Monroney over the telephone. He told Mr. Monroney that he could not undertake to state an official position except in respect to a request from the Committee after the introduction of the bill but that he knew of no objection to the proposed change and that he did not think it was a matter of great importance.

After a discussion, during which it was stated that it was the policy of the Board and the Comptroller of the Currency to make a formal report on a bill of this kind only in response to a request from the Chairman of the interested committee of Congress, it was agreed that Mr. Ransom should telephone Mr. Monroney advising him informally that the Board had no objection to the proposed amendment.

Secretary's Note: Later in the day Mr. Ransom called Mr. Monroney in accordance with this action.

At this point Messrs. Paulger, Vest, Cagle and Townsend withdrew from the meeting.

3/26/46

-5-

The action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 25, 1946, were approved unanimously.

Memorandum dated March 25, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Mrs. Mary Weedon, a clerk in that Division, effective as of the close of business March 29, 1946, and recommending that the resignation be accepted as of that date. The memorandum stated further that appropriate deduction will be made from Mrs. Weedon's last salary payment for any overdrawn annual leave.

The resignation was accepted as recommended.

Memorandum dated March 22, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Barry M. White be appointed to the position of laborer in that Division on a temporary basis for an indefinite period, at a salary of \$1,440 per annum, effective as of the date upon which he commences the performance of his duties, after having passed the usual physical examination. The memorandum also stated that Mr. White would become a member of the Board's Retirement System.

Approved unanimously.

Letter to "The Hicksville Bank", Hicksville, Ohio,

3/26/46

-6-

reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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

"With further reference to the surrender of trust powers by the First National Bank, Menasha, Wisconsin, there is enclosed a copy of a letter dated February 15, 1946, from the national bank examiner to the Comptroller of the Currency, reporting that the bank's fiduciary duties appear to have been completely performed. However, the examiner recommends that the bank obtain a receipt from an officer of the company for which it acted as trustee, as to cancelled bonds delivered to such company, and a formal discharge by the circuit court which originally appointed the bank successor trustee. An inspection of the examination report shows that a copy of the examiner's letter making the above recommendations is included in the open section of the report, and the bank probably has taken action to correct these criticisms by this time.

"Upon receipt of advice to the effect that your Bank is satisfied that these matters have been attended to and the bank formally discharged as trustee, the usual certificate terminating the bank's authority to exercise trust powers will be issued."

Approved unanimously.

Letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of March 19, 1946, submitting the request of the Industrial Trust Company, Providence, Rhode Island, for approval

3/26/46

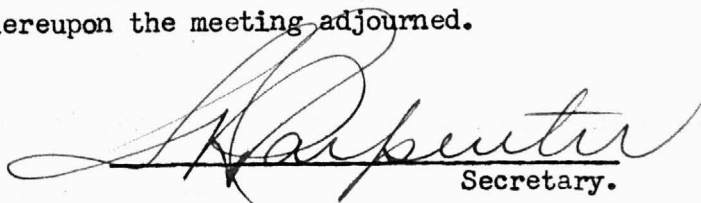
-7-

of an additional investment of \$100,000 in banking premises for the purpose of acquiring a site and erecting a building for its Elmwood branch.

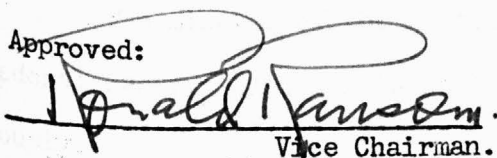
"In accordance with your recommendation, the Board of Governors approves the additional investment of \$100,000 in banking premises by the Industrial Trust Company."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.