

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, March 28, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 27, 1946, were approved unanimously.

Memorandum dated March 27, 1946, from Mr. Carpenter, submitting the resignation of Grover C. Knight, an Index Clerk in the Secretary's Office, who has been on military leave, effective immediately, and recommending that the resignation be accepted.

The resignation was accepted
as recommended.

Letter to the board of directors of the "International State Bank", Raton, New Mexico, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

Approved unanimously, for
transmission through the Federal
Reserve Bank of Kansas City.

3/28/46

-2-

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Enclosed for your information is a photostatic copy of a letter dated March 11, 1946, with memorandum attachment, received from Chairman Maple T. Harl of the Federal Deposit Insurance Corporation expressing concern with regard to the securities portfolio of Glen Rock Bank, Glen Rock, New Jersey, and the investment policies of the management. The comments in the memorandum attached to Chairman Harl's letter were based on the last report of examination as of January 4, 1945. Enclosed also is a copy of the reply to Chairman Harl by the Board of Governors.

"The securities investment policies of Glen Rock Bank and its predecessor institution, Glen Rock National Bank, have been the subject of adverse comment from time to time. In fact it would appear that criticisms of national bank examiners made with respect to such policies and practices of the Glen Rock National Bank were, to a large extent, responsible for the organization of a State institution to succeed to the business of the national bank and the placing of that institution in voluntary liquidation in February 1936. In the Board's letter of January 4, 1936 to Federal Reserve Agent Case advising of the approval of the application for membership made by the Glen Rock Bank it was stated:

'It is understood that your office has given careful consideration to the criticisms of the management contained in the last two reports of examination of the bank made by the national examiner but that, nevertheless, your office is satisfied that the affairs of the new bank may be safely intrusted to the proposed management which, except for the fact that the board of directors will be reduced from seven to five in number, is identical with that of the present national bank.'

"President Stevens was reported at the last examination of the Glen Rock Bank to dominate fully its policies. Reports of examination of the predecessor national bank stated, in the confidential sections, that Mr. Stevens, then cashier of the national bank, dominated its management which was considered by the national bank examiner as incompetent. Since the admission of the Glen Rock Bank to membership in the System, the reports of examination have contained from time to time over a long period adverse

3/28/46

-3-

"criticisms of President Stevens' management and investment policies. Another point worth noting is that as a result of the bank's investment in long-term municipal securities, the premiums paid represented 111% of the aggregate of its capital account on date of last examination. Information received from your office since the last examination does not indicate that corrective measures of an adequate nature have been taken and the substantial losses experienced by the bank and its predecessor national bank over the years as a result of the bank's investment policies point up the dangers inherent in the present policies of the management.

"Something over a year has now elapsed since the preceding examination and it is assumed that you will have the bank examined within the near future. In the event marked improvement is not shown in the bank's investment policies and a better balanced portfolio, the Board will be pleased to have your recommendation as to the action, if any, which you feel should be taken in view of all the circumstances."

Approved unanimously, together
with the following letter to Mr. Maple
T. Harl, Chairman of the Federal Deposit
Insurance Corporation.

"Receipt is acknowledged of your letter of March 11, enclosing an analysis made of the securities portfolio of the Glen Rock Bank, Glen Rock, New Jersey, as disclosed by the last report of examination of January 4, 1945. Your letter expresses concern with regard to the bank's securities portfolio and the investment policies of its management.

"The Board has been aware of the situation referred to in your letter over a considerable period of time and efforts have been made through the Federal Reserve Bank of New York to obtain an improvement of the securities investment policies and practices of the State member bank.

"It is expected that another examination of the Bank will be made shortly and as soon as that is done the situation will be reviewed again on the basis of the information disclosed in the report and consideration will be given promptly to any action that should be taken.

"The Board appreciates your interest and is glad to have your comments."

3/28/46

-4-

Letter to "The Chase Bank", Pine Street, New York 15, New York, reading as follows:

"Receipt is acknowledged of Comptroller Nagel's letter of March 20, 1946 (1-22-HR) enclosing the report of condition of The Chase Bank as at the close of business December 31, 1945.

"Mr. Nagel's letter states that the figures for your Shanghai Branch have changed and are shown in the report as at the close of business December 6, 1941, the last business day the branch was in your possession prior to the Japanese occupation of Shanghai, and that you have written to Shanghai for supporting schedules which will be supplied to the Board of Governors upon receipt. In view of the reopening of your Shanghai Branch it will not be necessary to forward schedules as of December 6, 1941. However, it will be appreciated if you will send to the Board balance sheets of your Hongkong, Shanghai, and Tientsin branches which show the figures accepted by you for these branches after their reopening, when such balance sheets have been received by you."

Approved unanimously.

Letter to Mr. Aldrich, Chairman of the Board of Directors of The Chase Bank, Pine Street, New York 15, New York, reading as follows:

"There is enclosed a copy of the report of examination of the Head Office of The Chase Bank, New York, New York, made as of November 30, 1945, by examiners for the Board of Governors of the Federal Reserve System. The figures for the foreign branches shown in the combined statement of condition were supplied by the Head Office."

"Your courtesy in acknowledging receipt of the report will be appreciated."

Approved unanimously, together with letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"There is enclosed, for your information and files, a copy of the report of examination of the Head Office of The Chase Bank, New York, New York, made as of November 30, 1945, by examiners for the Board of Governors and a copy

3/28/46

-5-

"of the letter transmitting the report to Mr. Winthrop W. Aldrich, Chairman of the Board of Directors of The Chase Bank."

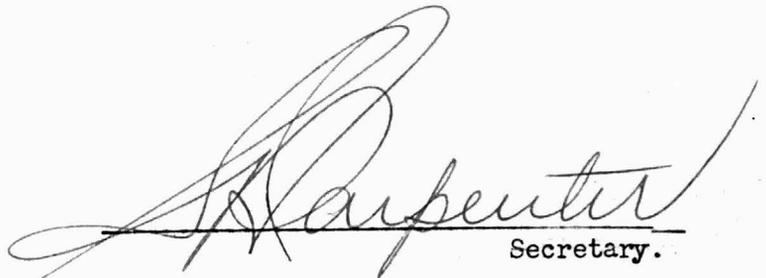
Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"Reference is made to the Board's letter of January 3, 1946, transmitting a sample copy of Form F.R. 95 showing changes made for the 1946 edition, and our telegram of January 23, 1946, concerning changes in the instructions governing the preparation of earnings and expense reports.

"There are enclosed samples of pages 7, 26, 29, 30, 31, 33, 35, 40, 41, 45, 46, 49, and 50 of the Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements as revised effective January 1, 1946. Page 32 is eliminated effective the same date. A supply of the revised pages is being shipped to your Bank."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.