

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 24, 1946, at 10:30 a. m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. Draper  
Mr. Evans  
Mr. Vardaman

Mr. Carpenter, Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to  
the Chairman.

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 23, 1946, were approved unanimously.

Telegram to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Relet April 18, 1946. Board approves appointment of Al Gene Bridges as assistant examiner for Federal Reserve Bank of Dallas. If appointment is not made effective May 1, as planned, please advise."

Approved unanimously.

Letter to the board of directors of "Peoples Bank of Hanover", Hanover, Pennsylvania, 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

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membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Philadelphia.

The letter also contained the following special comment:

"It appears that the bank may possess certain powers which are not being exercised and which are not necessarily required in the conduct of a banking business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of corporate powers exercised by the bank since the date of its application for membership."

Approved unanimously,  
together with a letter to  
Mr. Williams, President of  
the Federal Reserve Bank of  
Philadelphia, reading as  
follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Peoples Bank of Hanover', Hanover, Pennsylvania, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Secretary of Banking for the Commonwealth of Pennsylvania, for his information.

"It is noted that the amount of estimated losses shown in the report of examination for membership has since been charged off. Therefore, the usual condition of membership requiring the elimination of

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"estimated losses has not been prescribed. It is noted also that the bank's management has agreed to take corrective action with respect to the other matters requiring attention as indicated by the report."

Letter to Mr. Hunter, President of The First National Bank of Anniston, Anniston, Alabama, reading as follows:

"This is in reply to your letter of April 19 to Governor Ransom, which was acknowledged by him on April 22.

"It is true, as you have observed, that the Board's Regulations T and U permit the transfer of an account from one broker to another and the transfer of a loan from one bank to another but do not permit any such transfer from a broker to a bank or vice versa. This avoids forcing the customer to stay with any particular broker or with any particular bank. It gives him some freedom of choice without impairing the effectiveness of the regulation, since every broker is subject under Regulation T to the same basic rules as any other broker and any bank is subject under Regulation U to the same basic rules as any other bank. But the basic rules in Regulations T and U are different in numerous respects, with the consequence that to permit transfers from a broker to a bank or vice versa would be to permit the customer to change the status of his indebtedness by the transfer. If a customer could transfer his brokerage account 'as is' to a bank — i.e., from a creditor subject to Regulation T as it stands to a creditor subject to Regulation U as it stands — he could thereafter take advantage of the greater liberality of Regulation U, as for example in its treatment of bonds as collateral. To permit that to happen would obviously amount to permitting circumvention of Regulation T.

"It will not have escaped your notice that Regulation T is in general a good deal more severe in its requirements than Regulation U. This is partly because of provisions in the underlying statute and partly because the Board has not wanted the regulation that applies to a bank to interfere more than necessary with the ordinary commercial operations of the bank.

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"We hope that this explanation will serve your purpose, but if you have any further questions we shall be glad to undertake to answer them."

Approved unanimously.

Letter to Mr. James P. Bedford, Clearwater, Florida, reading as follows:

"This will acknowledge your letter of April 15, relating to the Board's regulations respecting the use of credit for purchasing or carrying securities.

"Your letter, we observe, relates to the question of what treatment should be accorded to credits which have been outstanding for two or three years, including credits for such purposes as making repairs or meeting medical expenses.

"You may be sure that the views you present will receive careful consideration in the event that, at some time in the future, the Board should feel obliged to go further into this question of outstanding credits. It should be noted, however, that as a general principle the Board's regulations do not apply to any credits except those for purchasing or carrying or trading in securities, which means that these regulations place no significant obstacles in the way of people's obtaining or maintaining loans for such purposes as making repairs, etc.

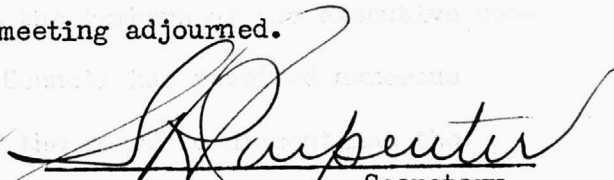
"We are glad of the opportunity afforded by your letter to comment on the matters to which you refer."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary