

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 16, 1946, at 10:30 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant 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 October 15, 1946, were approved unanimously.

Memorandum dated October 14, 1946, from the Personnel Committee, reading as follows:

"At the present time the official travel regulations of the Board provide that members of the Board may be allowed any Pullman accommodations obtainable in connection with a single fare, except that when a single bedroom is not available any member may be allowed the extra railroad fare necessary to enable him to obtain Pullman accommodations the cost of which does not exceed the cost of a compartment, as well as the extra cost of such accommodations.

"For the reasons discussed informally at the meeting of the Board on October 11, 1946, it is recommended that the last part of the first sentence of paragraph numbered 4 of the regulations which contains the provision referred to above be amended to read as follows:

'except that persons referred to in paragraphs 1 and 2 above may be allowed any Pullman accommodations obtainable in connection with a single fare; that, when a single bedroom is not available, any member of the Board may be allowed the extra railroad fare necessary to

10/16/46

-2-

"enable him to obtain Pullman accommodations, the cost of which does not exceed the cost of a compartment, as well as the extra cost of such accommodations; and that, when a member of the Board has a physical disability which makes it desirable for him to travel in a private room, he may be allowed the extra railroad fare necessary to enable him to obtain a compartment or, if a compartment is not available, a drawing room, as well as the extra cost of such accommodations."

Approved unanimously.

Telegram to Mr. Earhart, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"In connection with the request of Bank of America to participate in the forthcoming nomination and election of a Class A director of the San Francisco Bank, the Board requests that you address a letter to the Bank of America requesting the following information:

1. The names of directors elected at the 1946 annual meeting of the bank's stockholders, together with information showing all other years or portions of years in which each has served as director of the bank.
2. The number of bank shares owned by each director at the time of 1946 election.
3. The names of the bank management proxy committee for the years 1944, 1945 and 1946.
4. The number of shares voted at the 1944, 1945 and 1946 elections.
5. The number of shares voted by the bank management proxy committee for the years 1944, 1945 and 1946.
6. The number of share proxies received by the bank management proxy committee for the years 1944, 1945 and 1946.
7. Whether or not the bank management proxy committee held and voted proxies covering the Transamerica owned or controlled shares of the bank in 1944, 1945 and 1946. If so, the

10/16/46

-3-

"number of such shares so voted. If not, the name of the persons who voted such Transamerica owned or controlled shares, the number of such shares voted, and for whom such shares were voted in the election of directors.

"You are also requested to direct your examiners in Transamerica to review minutes and other records for all possible data bearing specifically upon election of Bank of America directors and generally upon the subject of control of Bank of America by Transamerica. Also, please request national bank examiners to review bank minutes covering the same subjects and particularly to note any significant action at or about the time when position of Founder Chairman was created."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Fidelity Bank and Trust Company, Houston, Texas, became a member of the Federal Reserve System on October 11, 1946, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

10/16/46

-4-

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

"It has been proposed that Regulation F be amended to provide that the provisions of section 11(a) which prohibit a national bank from investing trust funds in its own stock shall not apply to the subscription for additional shares pursuant to rights accruing to shares already held by the bank in a fiduciary capacity. This might be accomplished by amending footnote 12, appended to section 11 of Regulation F, to read as follows:

'The requirements of this section shall not be deemed to prohibit (1) the making of any investments or the carrying out of any transactions which are expressly required by the instrument creating the trust or are specifically authorized by court order, or (2) the investment of funds of a trust in stock of the trustee bank through the subscription for additional shares pursuant to rights accruing to shares held in the trust.'

"Please forward your comments and recommendations concerning such an amendment as soon as practicable. Comments of the Comptroller of the Currency and the American Bankers Association also are being requested."

Approved unanimously.

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

"Attached are drafts of possible amendments to Regulations T and U which would permit credits for purchasing securities bought under certain 'rights to subscribe'. The Board has taken no action on this matter except to authorize submission of the drafts to you and to the Securities and Exchange Commission for comment and would like to have them regarded as confidential. The Board would appreciate having your views by wire both as to the advisability of adopting amendments of this character at this time and as to the particular form they should take."

10/16/46

-5-

"TENTATIVE DRAFT  
"AMENDMENT NO. \_\_\_\_\_ TO REGULATION T

"Effective \_\_\_\_\_, Regulation T is hereby amended by adding the following new subsection at the end of section 6 thereof:

"(1) Subscriptions. - Notwithstanding any other provision of this regulation, if (1) a general account contains a warrant or certificate which expires within 90 days of issuance and evidences a right to acquire a registered security, and (2) such right was originally issued to the customer as a stockholder of the corporation issuing the registered security, a creditor may effect and finance the acquisition of such registered security for the customer in the general account pursuant to such right, and for the purpose of and in connection with such acquisition may treat such registered security as having a maximum loan value of 50 per cent of its total cost. Except for such purpose and in such connection, the security so acquired shall have the maximum loan value prescribed for general accounts in the supplement to this regulation. The right shall be deemed to have been issued to the customer as a stockholder if he actually owned the stock giving rise to the right when such right accrued, even though such stock was not registered in his name; and in determining such fact the creditor may rely upon a signed statement of the customer which the creditor accepts in good faith.

"TENTATIVE DRAFT  
"AMENDMENT NO. \_\_\_\_\_ TO REGULATION U.

"Effective \_\_\_\_\_, Regulation U is hereby amended by adding the following new subsection at the end of section 3 thereof:

"(p) In connection with any loan to enable the borrower to acquire stock in a corporation by exercising a warrant or certificate evidencing a right to acquire such stock, which right was issued to him as a stockholder of such corporation and expires within 90 days of issuance, a bank may treat the stock so acquired as having a maximum loan value of 50 per cent of its total cost. Except for such purpose and in such connection, the stock so acquired shall have the maximum loan value prescribed in the supplement to this regulation. The right shall be deemed to have been issued to the bor-

10/16/46

-6-

"power as a stockholder if he actually owned the stock giving rise to the right when such right accrued, even though such stock was not registered in his name; and in determining such fact the bank may rely upon a signed statement of the borrower which the bank accepts in good faith."

Approved unanimously.

Letter to Mr. Strothman, Assistant Counsel of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of October 4, 1946, enclosing a letter from First National Bank of Minneapolis requesting a ruling respecting the applicability of Regulation W to certain loans proposed to be made by First National Bank of Minneapolis to employees of other banks affiliated with First Bank Stock Corporation, the proceeds of which will be paid as the employee's contribution to a pension trust in which the employees will participate. The immediate purpose of the loan is to pay for 'past benefits' that will be provided for employees who have had continuous employment over a long period of time prior to the inauguration of the trust.

"The Board has taken the position that a loan to pay for insurance is subject to the regulation (if it is an instalment loan of less than the amount named in section 6). On the other hand, where the seller of an unlisted article or service (including an insurance policy) takes a note payable to himself, the transaction is exempt from the regulation. This is the principle stated in S-531. You stated in your letter that First Bank Stock Corporation has suggested an alternative financing plan by which the employee would purchase the benefits by giving his note to the trustee, payable to the trustee. It would seem that such a note would not be distinguishable, on principle, from a note given to an insurance agent or company, payable to such agent or company covering the cost of insurance, as referred to in S-531, and therefore the Board is of the opinion that such a note, payable to the trustee in 36 monthly instalments would not be subject to Regulation W."

Approved unanimously.

10/16/46

-7-

Letter to Brigadier General B. M. Bryan, The Provost Marshal General, War Department, Washington, D. C., reading as follows:

"It has only recently come to our attention that the Civil Affairs Handbooks (Army Service Forces Manual) have been declassified. Section Five of these Handbooks, relating to Money and Banking, was prepared in the Board's Division of Research and Statistics and the authors were allowed considerable freedom in their expression of views. There are therefore numerous instances where references to individuals or institutions are more forthright than would have been the case in reports prepared for general circulation. We would much appreciate it if you would refrain from making public distribution of any remaining copies of Section Five. Any inquiries for this material might be referred to us, and we could probably satisfy many of them without releasing material which could cause us embarrassment."

Approved unanimously.

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

"In continuance of the practice of recent years, there are being sent to you under separate cover . . . copies of work sheets (Form F. R. 456) for use in compiling member bank operating ratios for 1946 and in furnishing such data to the Board.

"The work sheet is unchanged from the 1945 edition except as to call dates on the face side and minor changes in the instructions on the reverse side. As indicated by the second paragraph of the revised instructions, care should be taken to see that annual, rather than semi-annual, earnings and expense figures are transcribed from the reports of national banks.

"The procedure followed last year should be observed in sending the completed work sheets, or duplicates thereof, to the Board after compilation of the tabulations usually made at your Bank."

Approved unanimously.

10/16/46

Thereupon the meeting adjourned.

*[Handwritten Signature]*  
Secretary.

Approved:

*[Handwritten Signature]*  
Chairman.