

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, October 22, 1946. The Board met in the Board Room at 10:35 a.m.

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

Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division
of Examinations
Mr. Townsend, Assistant General Counsel

As stated in the minutes of October 21, 1946, Mr. Vardaman was absent on official business.

Mr. Evans referred to the commercial, industrial, and farm loan surveys, the making of which had been approved in principle by the Board at earlier meetings with the understanding, however, that determination of the date for the survey of farm loans would be deferred for consideration of further information.

Mr. Evans then read a memorandum from Messrs. Thomas and Young, Director and Assistant Director of the Division of Research and Statistics, in which it was recommended that the dating of the farm loan survey be authorized for some time during the month of June 1947. The memorandum stated that this dating would cut across farm lending just prior to its seasonal peak in most areas, that it would be the earliest possible dating subsequent to December of this year that could be fitted into the work schedule of the Federal Deposit Insurance Corporation if that agency should assist, and that

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the Department of Agriculture had stated it would accommodate its needs to that dating even though it preferred an earlier survey. The memorandum further stated that postponement of the farm loan survey would give the benefit of experience gained in the commercial and industrial loan surveys to be made this November, thus affording an opportunity to make revisions in the schedules that might prove to be desirable.

In the discussion that followed, Mr. Evans stated that, while the American Bankers Association had not officially endorsed the loan surveys, Mr. Sidney B. Congdon, President of the Association of Reserve City Bankers, had telephoned him to discuss the survey and, although Mr. Evans had not been available to talk with Mr. Congdon personally, he (Mr. Congdon) had informed Mr. Young, to whom the call was referred, that the Association was much interested in the program and would cooperate.

It was unanimously agreed that the farm loan survey be undertaken during the month of June 1947, and that a decision not be made at this time with respect to a follow-up survey of farm loans at the seasonal low point during the fall of 1947.

Mr. Ransom asked Counsel to report upon the latest developments in the Transamerica matter, discussed at previous meetings. Mr. Townsend reviewed this subject, referring to the letter written by Bank of America National Trust and Savings Association on October

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3, 1946, to the Chairman of the Board of the Federal Reserve Bank of San Francisco stating that Bank of America was not affiliated with Transamerica or any other holding company and requesting that it be provided with a nomination certificate as well as a ballot for participating in the forthcoming election of a Class A director. That request was referred by the Federal Reserve Bank of San Francisco to the Board of Governors for instructions and on October 14, 1946, the Board notified the Bank of America through the Federal Reserve Bank of San Francisco that the application embodied in their letter of October 3 was considered to fall within the purview of Section 4 of the Rules of Procedure adopted by the Board pursuant to the requirements of the Administrative Procedure Act, and that it would be handled accordingly. Bank of America replied on October 15 stating that the Board had apparently misconstrued the bank's letter of October 3.

Mr. Townsend stated that, in the meantime, Bank of America had provided certain information requested by the Board on October 16 relating to the election of directors which showed that the bulk of shares voted in recent elections had been voted by proxy, mainly by the bank management proxy committee, which held the proxies for voting shares owned by Transamerica and its subsidiaries. He pointed out that the precise legal question was not that of control of the affairs of Bank of America, but rather control of the election of a

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majority of the directors. On this point, the bank has provided information showing, among other things, that the present directorate is substantially the same as was the directorate at the time Trans-america owned a majority of the stock of the bank. As to control of the affairs of the bank, he stated that the Federal Reserve Bank of San Francisco had obtained an excerpt from an examination report of the bank as of August 31, 1945, showing that at the time the position of "Founder Chairman" for Mr. A. P. Giannini was established in the bank, the by-laws had been amended to provide that the Founder Chairman succeeded to all the prerogatives and powers formerly held by the "Chairman", and that the Founder Chairman was specifically empowered to be responsible for the formulation of the policies upon which the bank's operations and affairs would be conducted. That position has been and still is filled by the same person, Mr. A. P. Giannini, who heads Transamerica.

Mr. Townsend stated that in his opinion the information obtained supported the position previously taken by the Board; namely, that the election of a majority of the directors of Bank of America continues to be controlled by Transamerica, and that since Trans-america holds a voting permit issued by the Board and still in effect under which the Corporation has designated another bank to participate in elections of Class A and B directors of the Federal Reserve Bank of San Francisco, the Bank of America is ineligible to participate in the

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forthcoming election under the terms of Section 4, Paragraph 16 of the Federal Reserve Act. He suggested for consideration of the Board a letter which would inform the bank that the Board had considered the application contained in its letter of October 3, 1946, that the Board had determined that Transamerica does control the election of a majority of the directors of the Bank of America National Trust and Savings Association, and that, under the provisions of Section 4 of the Federal Reserve Act, it is ineligible to participate in the forthcoming election.

There was a discussion of the facts submitted by the Bank of America concerning the election of directors, continuity of the directorate since the time when Transamerica admittedly owned a majority of the bank's stock, the Board's responsibility for issuing voting permits, and the general question of legislation which Congress might consider at the forthcoming session with a view to regulating holding companies in the banking field. In the latter connection Chairman Eccles stated his feeling that unless Congress indicates its desire for restraining monopolies in the banking field by conducting hearings on a holding company bill and enacting legislation at the forthcoming session, it would appear that the Federal Reserve should modify its efforts as the one agency opposing expansion of holding companies in this field under existing legislation, since persistence in such efforts could only serve to weaken the Federal Reserve System if Congress did not care to

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restrict bank holding companies. Chairman Eccles also expressed the opinion that the Board should make clear if called upon by Congress that there was nothing vindictive in its attitude toward any single holding company, that it has been acting in accordance with its belief as to the intent of Congress, and that the present legislation is so inadequate that it should either be replaced with a more effective law or the present one repealed.

It was unanimously agreed that the Board should inform the Bank of America National Trust and Savings Association of its decision with respect to the request of that bank to participate in the forthcoming election of a director of the Federal Reserve Bank of San Francisco by the following letter:

"Under date of October 7, 1946, the Board received from the Federal Reserve Bank of San Francisco a copy of your letter to Mr. Grady, Chairman of the Board of that Bank, dated October 3, 1946, in which it was requested that the Bank of America N. T. & S. A. be supplied with the necessary formal papers to enable it to participate in the forthcoming nomination and election of a Class A director in San Francisco.

"The Board has considered your request and has instructed the Federal Reserve Bank of San Francisco that the Bank of America N. T. & S. A. is ineligible to participate in such forthcoming election. Section 4 of the Federal Reserve Act provides in part that 'whenever any two or more member banks within the same Federal reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate.' As the management of your bank is aware, Transamerica Corporation holds a voting permit as a holding company affiliate of the Bank of America N. T. & S. A. issued to it by the Board pursuant to the provisions of Section 5144 of the Revised Statutes, which permit has remained outstanding and unrevoked or unsurrendered since its issuance in 1937.

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"That corporation has designated the National Bank of Washington, Tacoma, Washington, as the affiliated bank to participate in nominations and elections of Class A and Class B directors of the Federal Reserve Bank of San Francisco.

"Since your letter to Mr. Grady asserts that the Bank of America N. T. & S. A. is not affiliated with Transamerica Corporation, however, the Board has again reviewed the matter in the light of all pertinent facts and has determined that, within the meaning of the definition of a holding company affiliate contained in Section 2(c) of the Banking Act of 1933, Transamerica Corporation controls the election of a majority of the directors of the Bank of America N. T. & S. A. and has done so without interruption since it applied for and obtained the voting permit issued to it in 1937."

At this point Messrs. Vest, Leonard and Townsend withdrew from the meeting and the action stated with respect to each of the matters hereinafter set forth was then taken by the Board.

The minutes of actions taken by the Board of Governors of the Federal Reserve System on October 21, 1946, were approved unanimously.

Memorandum dated October 22, 1946, from Mr. Sherman, recommending the appointment of Mrs. Dorothea B. Kelly as a file clerk in the Secretary's Office, on a temporary basis for a period of not to exceed six months, with basic annual salary at the rate of \$2,093.04, to be effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Mrs. Kelly would become a member of the Federal Reserve retirement system.

Approved unanimously.

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Letter to Mr. Laning, Vice President and Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"In accordance with the request contained in your letter of October 18, 1946, the Board of Governors approves the continuation of the assignment of Mr. Elwood V. Denton as an analyst until the completion of your job evaluation program.

"This approval is given with the understanding that the salary paid Mr. Denton while serving in the temporary assignment will not exceed the salary he would be eligible to receive in the position he occupied at the time he was given this assignment."

Approved unanimously.

Letter to Mr. Thomas G. Sammons, Jr., Hayes-Sammons Hardware Company, Mission, Texas, reading as follows:

"This will acknowledge receipt of and thank you for your letter of September 30, 1946, in support of the Board's consumer credit regulation, which was forwarded to us by the Federal Reserve Bank of Dallas.

"We are pleased to hear that you have found the one-third down payment requirement helpful in preventing your customers from assuming debts they could not repay. The effectiveness of the regulation as a part of the Government's anti-inflation program depends fundamentally on its preventing such individuals throughout the country from over-extending their credit at this time, when purchasing power is so large in relation to the supply of goods.

"Your suggestion that the maturity requirement might in time be extended to eighteen months will be given careful attention. We feel that Regulation W should be adjusted to meet changes in conditions, and it is reasonable to expect its terms to be relaxed when the supply of consumers' durable goods more nearly equals the demand.

"There naturally has been some organized opposition to the regulation, as you point out, but on the other hand there are many who favor its continuation in simplified form on a permanent basis. We appreciate your support."

Approved unanimously.

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

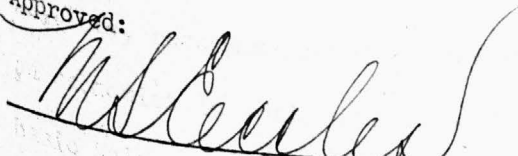
"In accordance with request contained in your wire October 21 Board of Governors authorizes your bank to furnish to Federal Bureau of Investigation information obtained in course of examination of Bank of Manhattan Company concerning 1941 loan to International Diesel Electric Company Inc., to be used for purpose stated in your telegram and subject to provisions of section 7(b) of Board's rules of organization."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Chairman.