

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, October 31, 1946.

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

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

As stated in the minutes of October 30, 1946, Mr. Vardaman was absent on official business.

The minutes of actions taken by the Board of Governors of the Federal Reserve System on October 30, 1946, were approved unanimously.

Memorandum dated October 30, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Helen M. Anderson as a page in that Division, on a temporary indefinite basis, with basic salary at the rate of \$1,756.00 per annum, 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 Miss Anderson would become a member of the Federal Reserve retirement system.

Approved unanimously.

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Telegram to Mr. Fred S. Wallace, Kearney, Nebraska, reading as follows:

"Board of Governors of Federal Reserve System has appointed you director of Omaha Branch of Federal Reserve Bank of Kansas City for unexpired portion of term ending December 31, 1946, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

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

"This refers to your letter of October 10, 1946, addressed to Mr. Leonard, Director of the Board's Division of Examinations, enclosing a copy of a farm mortgage purchase agreement which has been entered into between State and National banks in your district and the Equitable Life Assurance Society of the United States. Under this agreement, the bank agrees to sell, within two years and without recourse, and the Society agrees to purchase farm mortgages which have been considered and approved by the Society before the loans are actually made. It is understood that you would like advice as to whether unlimited sales and transfers as contemplated in this agreement would be prohibited under standard condition of membership numbered 3, which prohibits any State member bank subject thereto from engaging as a business in selling mortgages.

"In prescribing this condition of membership, the Board had in mind particularly sales of mortgages to the general public who were not in a position to evaluate real estate loans and might consider the bank at least morally obligated to make good any loss sustained, whereas the Society is qualified to appraise the real estate loans and would not expect the bank to act as guarantor of the soundness of the investment. Moreover, it may be questioned whether transactions under this agreement would violate the condition of membership as the contract of assignment to the Society is entered into before the bank actually makes the farm mortgage loan. In the circumstances, however, regardless of whether sales under

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"this agreement would be technically inconsistent with the condition of membership, the Board will not object to member State banks making sales of farm mortgage loans to the Equitable Life Assurance Society under this agreement, as such transactions would not violate the purpose of the condition."

Approved unanimously.

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

"This refers to your letter of October 10, 1946, with regard to the application of The Peoples Bank, Canton, Ohio, for permission to exercise fiduciary powers.

"In view of the information submitted, and of your favorable recommendation, the Board of Governors of the Federal Reserve System grants the applicant bank permission, under the provisions of its condition of membership numbered 1, to exercise the fiduciary powers now or hereafter authorized under its Articles of Incorporation and the laws of the State of Ohio. The Board's approval is given subject to acceptance by the bank of the following standard conditions prescribed in connection with the admission to membership of State banks exercising fiduciary powers:

- "1. Such bank shall not invest funds held by it as fiduciary in stock or obligations of, or property acquired from, the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.
2. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate from the properties of the bank itself.
3. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the

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"conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"Since it is understood that in the State of Ohio, trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 3 herein until further notice.

"You are requested to advise The Peoples Bank, Canton, Ohio, of the Board's action, and to obtain an appropriate resolution of the board of directors of the bank accepting the conditions listed above and forward a certified copy thereof to the Board."

Approved unanimously.

Letter to "The First-American Bank & Trust Company", Middletown, Ohio, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the First National Bank of Middletown, Middletown, Ohio, the national bank into which The First-American Bank & Trust Company, Middletown, Ohio, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Ohio, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"After the conversion of The First-American Bank & Trust Company, Middletown, Ohio, into the First National Bank of Middletown becomes effective and the Comptroller of the Currency authorizes the national bank to commence

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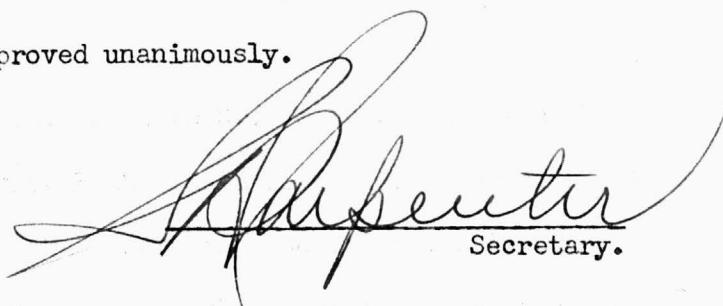
"business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Cleveland for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously.

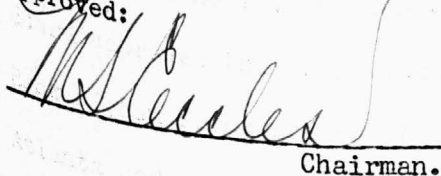
Letter to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"In view of the recommendation contained in your letter of October 16, 1946, the Board of Governors will interpose no objection, under the provisions of condition of membership numbered 8 to which the member bank is subject, to the investment of \$1,500 by the Farmers & Merchants State Bank, Ladonia, Texas, in property adjoining its bank premises, for the purpose of expanding its quarters, and the contemplated expenditure of approximately \$2,000 for the purpose of improving such property."

Approved unanimously.


Secretary.

Approved:


Chairman.