

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, November 21, 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.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 20, 1946, were approved unanimously.

Memorandum dated November 18, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of John B. Churchill as a Research Assistant in that Division, on a temporary indefinite basis, with basic salary at the rate of \$3,021.00 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Mr. Churchill would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated November 20, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Mrs. Doris P. Warner, an economist in that Division, be

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accepted to become effective, in accordance with her request, at the close of business November 21, 1946, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Memorandum dated November 20, 1946, from Mr. Leonard, Director of the Division of Examinations, recommending that payment of per diem in lieu of subsistence be made to Carroll R. Highfield, a Federal Reserve Examiner in that Division, for a period of nine and one-half days during which he was on sick leave in San Francisco, California. The memorandum also stated that such payment was in accordance with the Board's travel regulations.

Approved unanimously.

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

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of Cleveland, consisting of the establishment of the position of Laundress-Seamstress, as submitted with your letter of November 18, 1946."

Approved unanimously.

Letter to Mr. Whittemore, President of the Federal Reserve Bank of Boston, reading as follows:

"There is enclosed herewith a copy of a letter dated October 29, 1946, addressed to the Board by Mr. Edward S. Stimpson, Cambridge, Massachusetts, with respect to Shawmut Association, Boston, Massachusetts.

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"As Mr. Stimpson states, Shawmut Association is not an investment company within the meaning of the Investment Company Act of 1940 and is not subject to supervision by the Securities and Exchange Commission under that Act. It is subject, however, to the provisions of the Securities Exchange Act of 1934, since its shares are registered on a national securities exchange.

"Mr. Stimpson refers to 'Section K' of the Federal Reserve Act as prohibiting the loan of trust funds to directors. He probably has reference to section 11(k) which prohibits a national bank from loaning trust funds to its officers, directors, or employees. This statutory provision, of course, has no application to loans made by Shawmut Association.

"In granting voting permits, the Board is governed by section 5144 of the Revised Statutes of the United States which is quoted in the appendix of the Board's Regulation P, to which Mr. Stimpson refers in his letter. Section 5144 sets forth the matters which are to be considered by the Board in acting upon an application for a voting permit and provides that no permit shall be granted except upon certain conditions specified therein.

"In addition to the conditions specified by section 5144, it has been the Board's policy to require that, as a condition to receiving a general voting permit, a holding company affiliate shall execute an agreement reading in part as follows:

'That the management of the undersigned will be, and the undersigned will take such action within its power as may be necessary to cause the management of each of its subsidiaries to be, conducted under sound policies governing its financial and other operations, including statements issued relating thereto; that the undersigned will maintain a sound financial condition; that its net capital and surplus funds shall be adequate in relation to the character and condition of its assets and to its liabilities and other corporate responsibilities; and that, except with the permission of the Board of Governors of the Federal Reserve System, it shall not cause or permit any change to be made in the general character of its business or investments.'

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"The exemption of Shawmut Association from the provisions of the Investment Company Act of 1940 results from the fact that the Association holds a general voting permit covering certain banks which was issued to it by the Board prior to January 1, 1940. In such circumstances, the law does not provide for the giving of notice to the Securities and Exchange Commission prior to the issuance of a voting permit to the holding company affiliate covering additional banks. It has not been the practice of the Board to notify the Commission in such cases and it is not apparent that any purpose would be served by doing so.

"It has not been considered necessary to adopt the practice of advising shareholders of holding company affiliates when applications for voting permits are filed and to request them to present their views with respect to the granting of such permits. However, in acting upon applications for voting permits, the Board considers all pertinent information which is available to it, including any information which may be received from shareholders of the applicants.

"Shawmut Association has pending before the Board an application, dated November 27, 1945, for a voting permit authorizing it to vote the stock which it owns or controls of the three banks mentioned in Mr. Stimpson's letter. Pursuant to this application, a limited voting permit was issued to the Association in January, 1946, authorizing it to vote stock of The Everett National Bank and Newton National Bank at the 1946 annual meetings of shareholders of such banks for certain purposes. Waltham Citizens National Bank was not included in that permit, and consideration of the issuance of a general voting permit covering all three banks was deferred, because the organization of Waltham Citizens National Bank had not been completed. Further action with respect to this matter is now under consideration.

"In the circumstances, if Mr. Stimpson desires to furnish any further information concerning the matters which, under the provisions of section 5144, the Board may properly consider in determining whether to grant a general voting permit to Shawmut Association authorizing it to vote the stock of the three banks mentioned above, the Board will be glad for him to do so. Any such information should be furnished in writing and transmitted through the Federal Reserve Bank of Boston.

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"It must be received by the Reserve Bank not later than December 9, 1946, in order to allow sufficient opportunity for consideration of the matter by the Federal Reserve Bank and the Board prior to the annual meetings of shareholders of the Everett, Newton, and Waltham banks in January 1947.

"Please advise Mr. Stimpson in accordance with the foregoing, and keep us promptly advised as to further developments. We also will appreciate any information or comments which you can furnish us in connection with Mr. Stimpson's letter and any further information submitted by him.

"The applications of The National Shawmut Bank of Boston and Shawmut Association for general voting permits, dated November 27, 1945, were forwarded with a letter dated December 7, 1945, containing the favorable recommendation of the Reserve Bank. In view of the lapse of time it will be appreciated if the Bank will review the situation and advise the Board whether it reaffirms the original recommendation or now wishes to modify it in any manner."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the recommendation contained in your letter of November 13, and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to The Plaza Bank of St. Louis, St. Louis, Missouri, to maintain the same reserves against deposits as are required to be maintained by banks outside central reserve and reserve cities, effective with the first semi-monthly reserve computation period beginning after the date of this letter.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation at any time by the Board of Governors of the Federal Reserve System."

Approved unanimously,
Mr. Vardaman having stated
that he voted to approve.

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Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of October 7 to Mr. Parry asking whether a charge account in default under Regulation W may be made current by reducing the amount due to less than \$10.00, in view of section 5(g), or whether the amount in default must be paid in full as provided in section 5(d)(1).

"In view of the terms of section 5(g), it is our opinion a charge account may be made current by paying less than the full amount in default, provided the payment is sufficient to reduce the amount in default below \$10.00. The unpaid balance in this event remains in default, however, even though its effect in restricting the account is suspended by section 5(g), until it is paid in full as provided in section 5(d)(1)."

Approved unanimously.

Letter to the Honorable John W. Snyder, Secretary of the Treasury, prepared for the signature of Chairman Eccles in accordance with the understanding at the meeting on November 19, 1946, and reading as follows:

"In a letter dated November 14, 1946, Mr. John R. Steelman, Director, Office of War Mobilization and Reconversion, has requested a report concerning statutory powers affecting the Board's operations which are dependent upon the continuance of hostilities, the emergencies, or the war.

"One of the matters requiring consideration in this connection is the statutory authority for the purchase of Government securities by the Federal Reserve Banks directly from the Government, subject to a \$5,000,000,000 limitation. This authority is contained in a proviso which was added to section 14(b) of the Federal Reserve Act by Title IV of the Second War Powers Act and will expire on March 31, 1947, or such earlier date as may be designated by Congress or the President.

"The Board believes that the existing authority should be made permanent. It believes that permanent authority is desirable because, among other reasons,

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"direct buying by the Federal Reserve Banks provides the Treasury with a source to which it can turn to obtain funds in a substantial amount on little notice to meet temporary situations and contingencies, makes it possible for the Treasury to operate with a smaller cash balance than might otherwise be necessary, and provides a flexible mechanism to ease the money market in periods of heavy drain, as, for example, around income tax dates.

"Accordingly, the Board expects to advise Mr. Steelman that it believes that the pertinent provisions of section 14(b) should be reenacted as permanent legislation; and the Board contemplates submitting such a proposal to Congress at the appropriate time. Before advising Mr. Steelman, however, the Board desires to know whether you concur in its position. In view of the fact that Mr. Steelman has requested a reply from the Board by December 1, it will be appreciated if you will advise us as to your views at the earliest practicable date."

Approved unanimously.

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

"Referring to your letter of November 14, 1946, the Board of Governors will interpose no objection to the employment of William York Cocken, Architect, at a cost of \$6,000 to prepare preliminary architectural plans, sketches, designs, and estimates with respect to the proposed annex building in Pittsburgh. It is noted that in the event the same architect is engaged in connection with the construction of the annex, this fee of \$6,000 shall be credited to any compensation for such services. It is assumed that no commitment will be made with the architect for work beyond the preparation of preliminary plans until they have been reviewed by the Board and until legislation is obtained eliminating or modifying the present limitation on the cost of branch buildings."

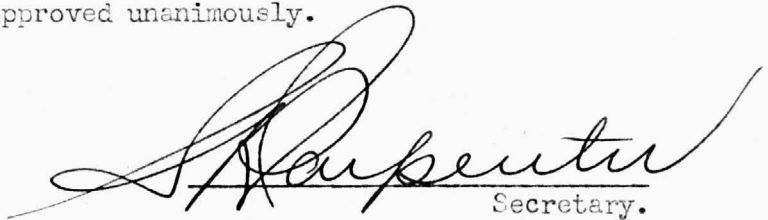
Approved unanimously.

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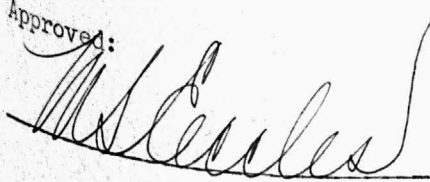
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Memorandum dated November 19, 1946, from Mr. Young, Assistant Director of the Division of Research and Statistics, and Mr. Horbett, Assistant Director of the Division of Bank Operations, recommending, for the reasons stated in the memorandum, the rental of I.B.M. mechanical tabulation equipment and the employment of an operator for a period of three months beginning January 1, 1947. The memorandum stated that the estimated maximum cost for the machines and operator would be \$1,836.00.

Approved unanimously.


Secretary.

Approved:


Chairman.