

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 26, 1946. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Chairman
Mr. Vest, General Counsel
Mr. Townsend, Assistant General Counsel

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

This meeting was called for the purpose of discussing questions raised and suggestions made by representatives of independent bankers associations, bank holding companies, and others in connection with the draft of bank holding company bill (H. R. 6225), which was sent to the Chairmen of the banking and currency committees of the House and Senate with the Board's letter of April 23, 1946.

The reason for the discussion was to determine the form of legislation to be proposed to the Congress by the Board at the appropriate time and which, if any, of the suggestions as to changes in the bill should be adopted. Mr. Townsend referred briefly to his conferences on the matter with various representatives of the independent bankers associations and bank holding companies during the summer and the background for all of the suggested changes in the bill was reviewed.

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For reasons stated during the discussion, the following conclusions were unanimously agreed upon, with the understanding (1) that if Messrs. Vardaman and Evans held other views on any of the conclusions, the matter would be considered again; and (2) that the existing bill (H. R. 6225) would be revised to incorporate the changes agreed upon:

1. A provision which would prevent the creation of, or further expansion of, bank holding companies should not be included in the bill.
2. The Board should have some discretion to determine when a company was a bank holding company or when a bank or other organization was affiliated with a holding company, rather than to provide for such determination on the basis of a rigid formula.
3. The bill should not prohibit bank holding companies from owning stock of banks in other states.
4. No bank should be permitted to make a loan on or invest its funds in the capital stock of a bank holding company of which it was a subsidiary.
5. No bank in a holding company group should be permitted to make a loan on or invest its funds in the capital stock of any other subsidiary in the group.
6. The provision in the bill with respect to loans by a subsidiary bank to any other concern in the holding company group on sound assets other than the capital stock of such concerns should be retained as no objection had been offered to it.
7. Section 6(c) of the bill should not provide that the Board would have authority to disapprove the acquisition of all or substantially all of the assets of a bank by a banking subsidiary of a holding company if such acquisition had been approved by (1) the Comptroller of the Currency if the acquiring bank was a national or district bank, or (2) the Federal Deposit Insurance Corporation if the acquiring bank was other than a national bank, district bank, or State member bank.

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8. The Board should not propose an exemption from the capital gains tax on stock of a corporation owned by a holding company when the stock is distributed in kind pursuant to the provisions of section 5 of the bill, it being understood that if such an exemption is proposed when the bill is before Congress, the Board would express its views on the proposal at that time.

9. The reserve required to be accumulated by a holding company should be in terms of a percentage of the par value, rather than the book value, of bank shares owned by the company, and should consist of marketable assets rather than of only cash and Government securities.

At this point Messrs. Vest 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:

Memorandum dated November 22, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Mrs. Helen Boyer Worthen as a stenographer in that Division with basic salary at the rate of \$2,168.28 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 Mrs. Worthen was a member of the Civil Service Retirement and Disability Fund and would remain in that fund.

Approved unanimously.

Memorandum dated November 22, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of George V. Psomos as a cafeteria helper in that Division, on a

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temporary indefinite basis, with basic salary at the rate of \$1,822.00 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. Psomos would become a member of the Federal Reserve retirement system.

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to Mr. Diercks' letter of November 14 containing your recommendation that the Board revoke the permission heretofore granted The Halsted Exchange National Bank of Chicago, Chicago, Illinois, to maintain the same reserves against deposits as are required to be maintained by reserve city banks. It is noted that the location of the bank recently has been changed to 130 South LaSalle Street, in the heart of Chicago's financial district, and that its title was changed on April 24, 1946 to The Exchange National Bank of Chicago.

"In the circumstances and pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board revokes the permission heretofore granted the bank to maintain the same reserves against deposits as are required to be maintained by reserve city banks, effective with the first weekly reserve computation period beginning after the date of this letter. Please advise the member bank of the Board's action in this matter."

Approved unanimously.

Memorandum dated November 21, 1946, from Messrs. Parry and Thomas, Directors of the Divisions of Security Loans and Research and Statistics, respectively, requesting approval, for reasons stated in the memorandum, for continuation of the annual Retail Credit Survey

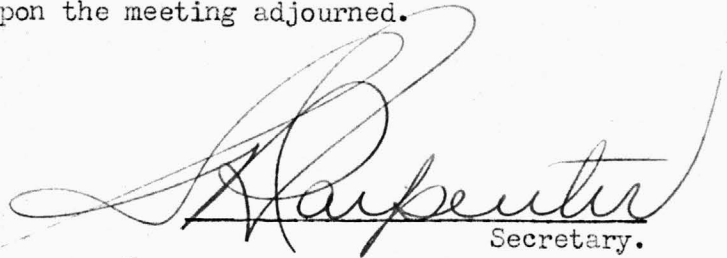
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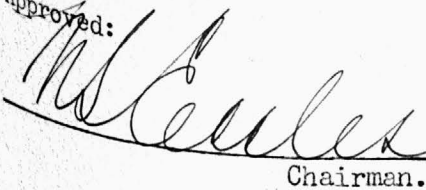
to cover the year 1946. The memorandum also stated that the distribution of this report is expected to approximate that for the 1945 Survey, but that cost of printing the 1946 Survey will probably exceed the 1945 figure of \$1,187.15.

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.