

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, December 30, 1946. The Board met in the Board Room at 2:10 p.m.

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

Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Chairman  
Mr. Vest, General Counsel  
Mr. Nelson, Director of the Division  
of Personnel Administration

As stated in the minutes of December 26, 1946, Mr. Vardaman was absent on official business.

Mr. Evans stated that a telegram had been received from Mr. Earhart, President of the Federal Reserve Bank of San Francisco, this morning stating that John T. Tenneson, a Board-appointed director of the Seattle Branch, had been asked to serve as a director of the National Bank of Commerce of Seattle, that Mr. Tenneson would like to accept and would also like to continue as a director of the Seattle Branch, and that he would like to know what the Board's attitude would be toward his serving as director of both institutions and how it might affect reappointment of him as a director of the Seattle Branch at the expiration of his present term on December 31, 1947.

In response to a question from Mr. Ransom, Mr. Vest stated that there was no legal question involved insofar as Branch directors were concerned, and that it was solely a matter of Board policy.

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Mr. Nelson stated that the Board's regulations provided that Branch directors could be stockholders of banks, but preferably should not be directors of any other bank.

Mr. Evans suggested that Mr. Earhart be informed by telephone that it was the general policy of the Board not to appoint as Branch directors men who were directors of other banks, that if Mr. Tenneson were to become a member of the board of directors of the National Bank of Commerce he would not be asked to resign as a director of the Seattle Branch but would not be reappointed at the end of his present term, that if he did not become a director of the national bank and his services as a branch director continued to be satisfactory the Board would expect to have him continue as a Branch director for the usual period of six years.

Mr. Ransom stated that he would like to make it clear that the Board would have no objection to Mr. Tenneson's accepting the National Bank of Commerce appointment and serving as a director of that bank while he completed his present term as director of the Seattle Branch.

It was agreed unanimously  
that Mr. Evans should transmit  
information along the foregoing  
lines to Mr. Earhart by telephone.

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

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

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"Reference is made to your letter of December 26, 1946 regarding the salary program approved by your board of directors, and requesting authority to make an adjustment of 10 per cent in the basic salaries of all employees.

"The Board of Governors authorizes the Federal Reserve Bank of Dallas, effective January 1, 1947, to exceed maximum annual salaries under its personnel classification plan and that of its branches by 30 per cent, plus such additional amount as may be necessary to permit an increase in the salary of each employee, other than an officer, in an amount equal to 10 per cent of his annual salary on December 31, 1946, provided that any increase granted under this authorization shall not cause the total salary of any employee to exceed the rate of \$7,500 per annum.

"This authorization supersedes the authorization to exceed maximum salaries contained in the Board's letter of November 21, 1945, and is granted as a temporary measure for postwar adjustments pending revision of your personnel classification plan.

"The Board of Governors also approves the payment of salaries to the following officers for the period January 1, 1947 through May 31, 1947, at the rates shown, which are the rates fixed by your board of directors:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>Head Office</u>	
A. C. Michaelis	Assistant Cashier	\$6,800
J. L. Cook	Assistant Cashier	7,000
C. M. Rowland	Assistant Cashier	7,000
Mac C. Smyth	Assistant Cashier	7,200
R. O. Webb	Assistant Cashier	7,200
F. T. Novey	General Auditor	7,000
	<u>El Paso Branch</u>	
J. H. Barron	Assistant Cashier	4,500
E. H. Berg	Cashier	5,000
W. E. Eagle	Vice President in Charge	7,200
	<u>Houston Branch</u>	
B. J. Troy	Assistant Cashier	5,000
Howard Carrithers	Cashier	6,000

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<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
	<u>San Antonio Branch</u>	
A. E. Mundt	Assistant Cashier	\$4,800
H. K. Davis	Cashier	5,500"

Approved unanimously.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"This refers to your letter of October 24, 1946, and to Assistant Cashier Alexander's letter of November 21, 1946, together with accompanying information, in which certain questions are raised as to the credit which may be extended through sight and acceptance credits by the City National Bank and Trust Company, Kansas City, Missouri, to a customer engaged in importing and distributing coffee.

"In a letter of November 8, 1946, Mr. Unge of the national bank raises a question as to extensions of credit to the coffee importer through sight credits. When the national bank opens such a credit the liability of the importer to the bank is a contingent one in the circumstances described by Mr. Unge and there is no legal limitation on the volume of such sight credits which may be opened, although sound banking judgment would require that the aggregate of such credits be kept within prudent limits, the limitations depending upon consideration of all the credit factors involved. When a draft under such a credit is paid by the bank, then of course, if the bank has not previously been supplied with funds by the importer, the liability of the importer to the bank must be included in the limitations provided by section 5200 of the Revised Statutes.

"With respect to the questions raised in Mr. Unge's second letter of November 8, 1946, regarding the security to acceptance credits opened for the importer, it may be stated that the conclusions expressed in Mr. Johns' memorandum of November 18 are correct.

"From the information submitted it appears that the national bank is under the impression that the importer can accept time bills drawn by the bank and consider such bills as trade acceptances constituting actual security. Such an instrument is not an actual trade acceptance. The provisions of the Board's Regu-

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"lacion C regarding the eligibility of trade acceptances as actual security contemplate time drafts in the form of the specimen trade acceptance submitted with the correspondence but which are drawn by the importer on his customers who accept the bills and thus create bona fide trade acceptances arising from the actual sale of merchandise. In this manner the importer obtains negotiable instruments from his customers in lieu of maintaining open accounts. It is obvious, of course, when such trade acceptances are taken by the national bank as security they should be satisfactory from a credit standpoint as in the case of any other promissory instrument.

"Imported merchandise can be placed in independent warehouses, either at a seaport or inland, and documents which convey title, while the goods are in transit or in warehouse, may be taken by the bank as actual security. As pointed out in Mr. Johns' memorandum, a trust receipt which permits the customer to have access to or control over the goods will not be considered 'actual security.'

"In Mr. Unge's letter of October 17, 1946, to Chief National Bank Examiner Baldrige, he asks whether the national bank can accept drafts drawn on it at 30 days' sight up to \$400,000 by different sellers abroad. It is assumed that Mr. Unge's inquiry is made for the purpose of ascertaining whether each foreign seller may draw up to \$400,000 or whether the limitation of 10 per cent of the national bank's paid up and unimpaired capital and surplus, which is understood to be \$400,000, is applicable to the aggregate amount of acceptances by the national bank for one of its customers covering drafts drawn by all foreign sellers. The limitation does not apply to the drawers of the bills but places a limitation on the aggregate amount of the bills of all drawers which may be accepted by the national bank on an unsecured basis for the account of any one customer.

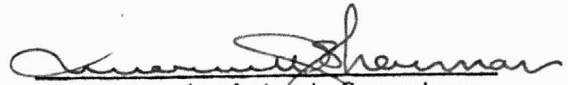
"We have discussed these matters informally with the office of the Comptroller of the Currency and it is understood that the views herein expressed are in accordance with the views of that office."

Approved unanimously.

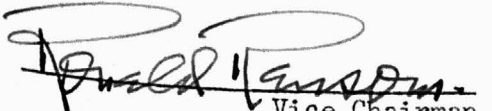
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Thereupon the meeting adjourned.

  
Assistant Secretary.

Approved:

  
Vice Chairman.