Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, March 10, 1947. The Board met in the Board Room at 4:30 p.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Draper  
Mr. Evans  
Mr. Vardaman  
Mr. Clayton

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

There was an informal discussion of the memorandum of subjects which had been submitted by the Federal Advisory Council in accordance with the procedure agreed upon at the last meeting of the Council, and it was agreed that Chairman Eccles would discuss the various subjects along the lines of the views expressed at this meeting of the Board.

The action stated with respect to each of the matters herein-after set forth was then taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 7, 1947, were approved unanimously.

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

"In accordance with the request contained in your letter of March 4, 1947, the Board of Governors approves the continuation of the temporary assignments of the following employees pending the completion of your job evaluation program:

Aff, Edward A.  
Apple, Elwood E.  
Fredericks, Morgan H.  
Gamber, Emily M.  
Mann, Clara L.

Noonan, David P.  
Roeder, Harry W.  
Runser, Dorothy E.  
Taylor, Jeanette C.  
Walton, Elsie M.

"This approval is given with the understanding that the salaries paid these employees while serving in the temporary
"assignments will not exceed the salaries they would be eligible to receive in the positions they occupied at the time they were given their present assignments."

Approved unanimously.

Telegram to Mr. W. T. Bland, Lake Jem, Florida, reading as follows:

"Board of Governors of Federal Reserve System has appointed you Director of Jacksonville Branch of Federal Reserve Bank of Atlanta for unexpired portion of term ending December 31, 1949, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

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

"In accordance with the request contained in your letter of March 3, 1947, the Board approves the appointment of Kenneth S. Coleman as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment becomes effective and as to the salary rate."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks reading as follows:

"In the Board's letter of January 17, 1940, (S-199) the Federal Reserve Banks were requested to forward to this office photographs of all directors and chief executive officers. It was contemplated at that time that the photographs might be published in the Federal Reserve Bulletin.

"It is understood that the submission of photographs involves some inconvenience as well as expense for the directors and since it now appears that the photographs will not be used for publication in the Bulletin you may discontinue the submission of the photographs. The Board's letter of January 17, 1940, (S-199) is therefore canceled. However, it is expected that you will continue to submit the Oaths of Office and biographical sketches as required by the Board's circular letters dated January 29, 1936, (X-9470) and October 23, 1936, (S-9727)."
"The photographs of directors and officers which you have submitted heretofore will be returned to you under separate cover for such disposition as you deem advisable."

Approved unanimously.

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

"Reference is made to your letter of February 24, 1947, submitting the request of the Commonwealth Trust Company of Pittsburgh, Pittsburgh, Pennsylvania, for permission to establish a branch at McKees Rocks, Pennsylvania, in connection with the proposed absorption through purchase of assets and assumption of deposits of the Chartiers Bank, McKees Rocks, Pennsylvania.

"It is understood that the trust company will purchase only such assets as a State member bank may legally acquire and the Board of Governors, therefore, does not feel that the proposed transaction will result in a change in the general character of assets of the trust company or broadening in the functions exercised by it within the meaning of condition of membership numbered 4 to which it is subject. However, the plan contemplates the acquisition of the banking premises of the Chartiers Bank and the carrying value of the banking premises of the Commonwealth Trust Company now exceeds the amount of its capital stock. Therefore, the approval of the Board for the proposed additional investment in banking premises is required and is hereby granted.

"It is noted that approval of the State authorities has been obtained and, in view of your recommendation, the Board approves the establishment and operation of a branch in McKees Rocks, Pennsylvania, by the Commonwealth Trust Company of Pittsburgh, Pittsburgh, Pennsylvania, provided the absorption of the Chartiers Bank is effected substantially as proposed and with the understanding that Counsel for the Reserve Bank will review, and satisfy himself as to the legality of, all steps taken to complete the transaction."

Approved unanimously.
Letter to Mr. W. N. Cuddy, President of The First National Bank of Anchorage, Anchorage, Alaska, reading as follows:

"We are in receipt of your letter of February 18, 1947, requesting permission to exercise trust powers."

"As you know, all national banks in the continental United States, exclusive of Alaska, are members of the Federal Reserve System, and applications for trust powers for such banks are made through the Federal Reserve Bank of the district in which the applicant is located. However, as your bank is not a member bank, its application may be filed directly with the Board instead of through a Reserve Bank.

"Accordingly, there are transmitted herewith two copies of the Board's form of application for trust powers, one copy of which should be filled out and returned to this office. The other copy may be retained for your files. The forms have been amended somewhat, to eliminate the Reserve Bank's participation therein and to provide for your bank furnishing certain information usually obtained through the Reserve Bank. There is also enclosed for your information a copy of the Board's Regulation F, 'Trust Powers of National Banks'.

"When your formal application, duly executed, has been received, it will be given prompt consideration and you will be advised of the Board's action thereon."

Approved unanimously, together with

a letter to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"There are enclosed herewith a copy of a letter from The First National Bank of Anchorage, Anchorage, Alaska, making application for fiduciary powers, and a copy of the Board's reply thereto, which are self-explanatory.

"In view of the fact that the applicant is a non-member national bank, and in the interest of expedition, it was thought desirable to handle this application direct instead of requesting the Reserve Bank to make an investigation or to submit a formal recommendation. However, the Board would be glad to receive any information which you may have, other than that contained
"in the national examiners' reports of examination of the applicant, and which you feel would be of assistance in its consideration of the application. In any event, you will be advised of the final action taken by the Board. "The matter was discussed informally with President Earhart when he was in Washington recently and he indicated his approval of the proposed procedure."

Letter to the Federal Reserve Agents of all Federal Reserve Banks reading as follows:

"In its letters of December 3, 1935, (X-9385) and April 4, 1936, (X-9540), the Board outlined the procedure with respect to the issuance of general voting permits to holding company affiliates. Certain portions of the letters and some of the provisions of the form of agreement enclosed with the letter of December 3, 1935, are now obsolete. For greater convenience of reference, it is desirable to consolidate and bring up to date the two letters referred to, and also to cover at the same time certain procedural matters not discussed in those letters, including the procedure to be followed in issuing limited voting permits.

"Accordingly, this letter supersedes the letters of December 3, 1935, (X-9385) and April 4, 1936, (X-9540). It does not, however, involve any change of policy or procedure with respect to the issuance of either general voting permits or limited voting permits.

"Issuance of General Voting Permits

"(1) When the Board authorizes the issuance of a general voting permit to a holding company affiliate in your district, you will be advised by telegram. In this connection, the code word 'KeBje' will continue to be used, but will have the following meaning: 'The Board authorizes the issuance of a general voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B" at all meetings of shareholders of such bank(s), subject to condition(s) stated below after the letter "C". The period
"Within which a permit may be issued pursuant to this authorization is limited to thirty days from the date of this telegram unless an extension of time is granted by the Board. Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (3-964)."

"(2) One of the conditions stated after the letter 'C' in each telegram will require the applicant to execute and deliver to you two copies of an agreement prepared in accordance with the form enclosed herewith (S-964-a) subject to any changes and with any additional provisions prescribed by the Board in the particular case. The enclosed form of agreement contains as numbered paragraphs the standard provisions which have been prescribed for several years. In some instances, the Board may prescribe special provisions which are to be incorporated in the agreement as additional numbered paragraphs. Full details concerning such special paragraphs or any changes in the standard provisions will be set out in the Board's telegram.

"(3) It will be noted that paragraph numbered 3 of the enclosed form of agreement contains the following provision:

'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.'

In view of the restrictions and limitations imposed upon national banks by law, such a provision is not essential where the holding company affiliate is a national bank. Therefore, in authorizing the issuance of general voting permits to national banks, the Board will, as has been done in the past, modify the above-mentioned paragraph of the required agreement to read 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; and 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.'

"(4) The required agreement should be prepared by
your Bank's counsel in strict accordance with the en-
closed form and the terms of the Board's telegram in
the particular case. Any additional provisions which
are to be incorporated in the agreement must be incor-
porated verbatim. The agreement must be executed in
form satisfactory to your Bank's counsel and he should
certify that it is a valid and binding obligation of
the applicant before you issue the permit.

"(5) If the person executing the required agree-
ment or any other instrument on behalf of the applicant
is not one of those designated by the resolution set
out in Exhibit C of the application for voting permit,
you should be furnished with two certified copies of a
resolution of the Board of Directors of the applicant
authorizing such person to execute such agreement or
other instrument.

"(6) In addition to the execution of the required
agreement, the Board may also prescribe other conditions
which must be complied with prior to the issuance of the
permit. If any such condition requires the execution of
a written instrument, the executed instrument should be
approved by your Bank's counsel.

"(7) Occasionally it is necessary that a condition
be prescribed requiring that Exhibit L (Form P-3) be
executed by a particular organization and that Exhibit
N (Form P-4) be executed by the applicant and consented
to by such organization. In such cases the code word
'KEGIG' will be used and will have the following mean-
ing:

'That, prior to the issuance of the general
voting permit authorized herein, the appli-
cant shall deliver to you in duplicate
Exhibit L (Form P-3) executed by the orga-
nization(s) named immediately following this
code word, and Exhibit N (Form P-4) executed
by the applicant and consented to by such
organization(s), or furnish assurances sat-
isfactory to you that it will deliver such
exhibits to you within 30 days after the
issuance of such permit, or furnish evidence
satisfactory to counsel for your Bank that
such exhibits are not required by the Board's
Regulation P and the directions on the printed
forms referred to.'
"(3) When the required agreement has been executed and all other conditions have been complied with, you will execute, on behalf of the Board, and deliver to the applicant a general voting permit prepared by your Bank's counsel in accordance with the form enclosed herewith (S-964-b). It is essential that the permit contain the names and locations of the holding company affiliate and the subsidiary banks exactly as listed in the Board's telegram. The permit should be executed in triplicate.

"(9) When the permit has been issued, please forward to the Board an executed copy thereof, together with an executed copy of the required agreement of the applicant, an executed copy of each other instrument required by the conditions prescribed by the Board, a certified copy of any resolution of the applicant's Board of Directors required under the above instructions, and full information concerning the manner in which any other conditions have been satisfied.

"Issuance of Limited Voting Permits

"(10) When the Board authorizes the issuance of a limited voting permit to a holding company affiliate in your district, you will be advised by telegram. In this connection, the code word 'IKECEA' will continue to be used, but will have the following meaning:

'The Board authorizes the issuance of a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the holding company affiliate named below after the letter "A", entitling such organization to vote the stock which it owns or controls of the bank(s) named below after the letter "B", subject to the condition(s) stated below after the letter "C". The permit authorized hereunder is limited to the period of time and the purposes stated after the letter "D". Please proceed in accordance with the instructions contained in the Board's letter of March 10, 1947, (S-964)."
"(11) When all conditions prescribed in the telegram have been complied with, you will execute, on behalf of the Board, and deliver to the applicant a limited voting permit prepared by your Bank's counsel in accordance with the form enclosed herewith (S-964-c). It is essential that the permit contain the names and locations of the holding company affiliate and the subsidiary banks exactly as listed in the Board's telegram, and that the statement in the telegram following the letter 'D' be incorporated verbatim. The permit should be executed in triplicate. Please send to the Board an executed copy of the permit issued by you.

"Telegrams authorizing the issuance of general voting permits and limited voting permits will be addressed to you as Federal Reserve Agent and the permits will be executed by you or an Assistant Federal Reserve Agent. However, it is expected that, as in the past, you or your Assistant Federal Reserve Agent will consult with officers of your Bank who are familiar with voting permit matters with respect to the issuance of voting permits. The Board will rely entirely upon you and the appropriate officers of your Bank to see that each permit is in proper form and is issued only in accordance with the Board's authorization. If in any case you have any question concerning how you are to proceed or what is intended by the Board, please communicate with the Board before issuing the permit."

Approved unanimously, with the understanding that a copy would be sent to each Reserve Bank President.

Letter to Mr. Berge, Secretary and Assistant Counsel of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of February 20, 1947, presenting the following inquiry from the Old Colony Trust Company concerning the application of the last sentence of section 17(c)(5) of Regulation F:"
'We have three trusts under a will: One trust for the benefit of A for life, then for the benefit of B and C and the survivor for life, and thereafter to remain in perpetual trust for a given charity. The second trust is for B and C or the survivor for life then for A for life and thereafter again to the trust for the charity. The third trust is for the charity and is now accumulating until under the will it reaches a certain sum. A, B, and C are all alive.

'The first two trusts could be combined under present rulings. However, combining either of them with the third trust is a little different. In other words, you are combining two trusts under which the life tenant and the remainderman of one is the remainderman of the other. I would say that permitting combination would be in keeping with the present rulings and the spirit behind them but it would seem best to make sure of this before we put them in the Common Trust Fund so that I would very much appreciate your assistance.'

From this statement it is understood that the income of not more than one trust 'is payable or applicable to the use of' A, B, C, or the charity at the present time.

"The Board agrees with your conclusion that these three trusts fall within the scope of the Board's ruling contained in the 1941 Federal Reserve Bulletin on page 618 and the ruling contained in the letter of March 15, 1946, addressed to Mr. Schlaikjer. Accordingly, they may be considered as three separate and distinct trusts at the present time for the purpose of applying the limitations contained in the provisions of regulation F referred to above."

Approved unanimously.

Letter prepared for Chairman Eccles' signature to Mr. Emil Schram, President, New York Stock Exchange, 11 Wall Street, New York

5, New York, reading as follows:

"This is to acknowledge your letter of February 27 with further reference to margin requirements. As you know, I am always glad to have your comments, and making
allowance for the fact that we view the problem from different angles, the area of our differences of opinion on the margin question comes down largely to a matter of timing. As I said in the statement I gave out when we reduced the requirements to 75 per cent, 'further action will depend upon the course of economic events.'

"I would agree with you, of course, that the investing public and the American public are not synonymous. Nevertheless, I think it is evident from the volume of underwriting that there is no lack of funds available to absorb worthwhile, new issues. At this juncture I cannot see any justification for further action either on the level of margins or on the so-called 'incidental squeeze.'

"Decisions on the question of loan values should be based, in my judgment, on a general broad consideration of economic conditions and prospects. The amount of credit in the market is only one factor, even though it is referred to specifically in the law.

"With kind personal regards,"

Approved unanimously.

Letter to Mr. Leach, Chairman of the Committee on Operations,

Conference of Presidents, reading as follows:

"The Board has received a copy of the report of the Special Committee, dated February 13, 1947, which you appointed to devise a plan for the participation by the Federal Reserve Banks in the distribution of Booker T. Washington commemorative coins.

"It is understood that the Special Committee's recommendations were approved by the Presidents at their recent conference and this is to advise you that the Board interposes no objection to the plan outlined in the Special Committee's report."

Approved unanimously.

Approved: [Signature]

Chairman.

Approved unanimously.

Secretary.