

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 27, 1947.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 25, 1947, were approved unanimously.

Letter to the board of directors of "The Corn City State Bank", Deshler, Ohio, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland.

Approved unanimously, for transmission through the Federal Reserve Bank of Cleveland.

Letter to the board of directors of the "Bank of Meeker", Meeker, Oklahoma, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Kansas City.

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Approved unanimously, together with a letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Bank of Meeker, Meeker, Oklahoma, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Oklahoma, for his information.

"It is noted that the management agreed that items amounting to \$2,760.91 classified IV in the report of examination for membership would be charged off at the close of the examination. In the circumstances, the usual condition of membership requiring the elimination of losses prior to admission has not been prescribed. It is assumed, however, that the Reserve Bank will satisfy itself that such losses have actually been eliminated before admitting the bank to membership.

"The numerous violations of Regulation W, the large amount of past due paper, the many collateral exceptions and the poor credit files shown by the report of examination for membership indicate laxity on the part of the bank's management. The F. D. I. C. reports that it has received promises of correction without results. It was indicated, also, in the report of examination by the State Banking Department submitted with the application, that the management may have been moved to apply for membership in order to escape criticism. However, it is noted that the Reserve Bank feels that it can assist the management in adopting better procedures with a view to eliminating the causes of criticism and it is assumed that a definite and constructive program in this regard will be vigorously pursued. The circumstances appear to challenge the ability of the Reserve Bank to obtain actual and substantial improvement and the application has been approved with the expectation that definite results will be achieved."

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Letter to the board of directors of the "Citizens State Bank", Ysleta, Texas, stating that, subject to the conditions of membership numbered 1 to 3 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Dallas.

The letter also contained the following special comment:

"It appears that the bank possesses the power to issue and sell investment certificates, which power is not necessarily required in the conduct of a banking business. It appears also that the bank possesses authority to exercise fiduciary powers but does not expect to engage in fiduciary activities. Attention is called to the fact that if the bank should desire to exercise the power to issue and sell investment certificates or to exercise fiduciary powers, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them."

Approved unanimously, together with a letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Citizens State Bank, Ysleta, Texas, for membership in the Federal Reserve System, effective if and when the bank is duly authorized to commence business by the appropriate State authorities, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Texas, for his information.

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"It is understood that present plans are to open the bank about May 1, 1947, the exact date being contingent upon completion of banking quarters. In view of the circumstances, instead of the usual 30 days, the bank is being given three months within which membership may be accomplished."

Letter to the Honorable J. Edgar Hoover, Director, Federal Bureau of Investigation, United States Department of Justice, reading as follows:

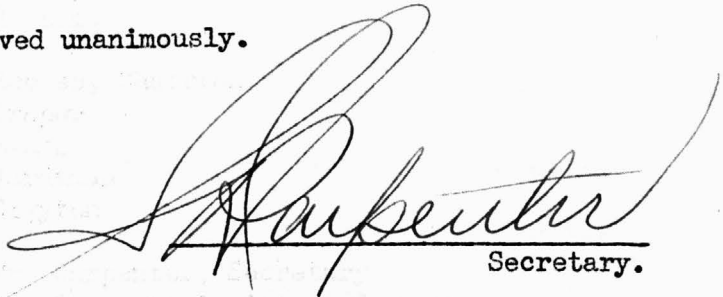
"Reference is made to my letter of February 19, in reply to your letter of February 7, 1947, regarding the reported hazardous manner in which banks in Seattle, Washington, were delivering currency to and from the Federal Reserve Branch Bank in that city.

"The matter of precautions against robbery was discussed by the Presidents at their recent conference held in Washington and it was the consensus of the conference that all Federal Reserve Banks, working through their Bank Relations Departments or otherwise, should conduct an educational campaign among member banks to encourage the use of adequate safeguards in the handling of money and securities. The conference also considered it desirable for representatives of the Insurance Committee of the Presidents' Conference to meet with the Federal Bureau of Investigation for the purpose of arranging, if possible, for a survey by the Bureau of the practices of the Federal Reserve Banks in handling money and securities. It is understood that a conference for this purpose was held on Friday, March 21, in the office of your assistant, Mr. E. A. Tamm. We are advised that your office has already made such surveys at the several offices of the Federal Reserve Bank of San Francisco.

"In view of the conditions referred to in your letter of February 7, 1947, the Board would like to suggest for your consideration the desirability of also discussing the question of more adequate protection for currency movements at member and nonmember banks with the American Bankers Association, with the thought in mind that its insurance department might be able to include some additional valuable suggestions in the Association's periodic publications."

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Approved unanimously.


Secretary.

Approved:


Chairman.

The Board noted that he had been invited by Mr. Stewart,
Fiscal Assistant Secretary of the Treasury, to attend a meeting in
his office on 3/20/47 at which time there would be a
discussion of a proposal, referred to at the meeting on February
10, 1947, to transfer the issue of registration of savings bonds
from the branches of Federal Reserve Banks to the home offices of
some of the banks, namely, the First National Bank of Chicago and
the Merchants National Bank of New York, and the Treasury should not
disturb the existing practice of Federal Reserve branches
and their member banks in this regard, but that there would be no