

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, April 7, 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 April 4, 1947, were approved unanimously.

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

"In accordance with the request contained in your letter of April 1, 1947, the Board approves the designation of Mr. Howard Clayton of the El Paso Branch as a special assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

Letter to the board of directors of the "Waxahachie Bank and Trust Company", Waxahachie, Texas, 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 Dallas.

Approved unanimously for transmission through the Federal Reserve Bank of Dallas.

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Letter to the board of directors of the "Bell Gardens Bank", Bell Gardens, California, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H, and effective if and when the bank is duly authorized by the appropriate State authorities to commence business, 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 San Francisco.

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

"The Board of Governors of the Federal Reserve System approves the application of the Bell Gardens Bank, Bell Gardens, California, for membership in the Federal Reserve System, effective if and when the bank is duly authorized by the appropriate State authorities to commence business, 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 Superintendent of Banks for the State of California, for his information.

"In view of the probable delays in completing arrangements for the opening of the institution, it has been provided that membership may be accomplished within three months from the date of the Board's letter."

Letter to The Chase National Bank of the City of New York, New York, N. Y., reading as follows:

"Attached is a certified copy of an order authorizing you to establish a branch at Berlin, Germany. As you will observe, the order provides that in the

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"event the branch is not actually established and opened for business on or before May 1, 1948, and authority granted shall automatically terminate on such date. Please advise the Board in writing of the date the branch is actually established and opened for business.

"As requested in Mr. McCain's letter of March 28, 1947, the Board of Governors will hold your applications for permission to establish branches at Bremen and Frankfurt in abeyance until receipt of further word from you."

Approved unanimously for transmission through the Federal Reserve Bank of New York, together with the order referred to which read as follows:

"ORDER

"April 7, 1947

"WHEREAS The Chase National Bank of the City of New York, New York, New York, has made application to the Board of Governors of the Federal Reserve System pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish a branch at Berlin, Germany; and

"WHEREAS it appears that the said bank may properly be authorized to establish a branch at Berlin, Germany;

"NOW, THEREFORE, The Chase National Bank of the City of New York is authorized to establish a branch at Berlin, Germany, and to operate and maintain it subject to the provisions of section 25 of the Federal Reserve Act, upon condition that unless the branch is actually established and opened for business on or before May 1, 1948, all rights hereby granted as to such branch shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

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

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"This is to acknowledge with thanks receipt of replies from all the Federal Reserve Banks to the Board's letter of December 17, 1946, regarding conditions of membership and Regulation H, and to refer further to its earlier inquiry with regard to the desirability of certain proposed amendments to Regulation F relating to the investment of trust funds.

"Since the conditions of membership contained in Regulation H include provisions regarding trust activities of State member banks, this subject is closely related to the proposed amendments to Regulation F, and, accordingly, it is felt that both these matters should be considered together. However, as you know, there is now pending litigation involving questions as to the Board's authority with respect to the imposition of conditions of membership and, accordingly, it seems desirable to defer any action with respect to conditions of membership or the proposed amendments to either regulation until this litigation has been concluded. This may be a matter of several months. In the meantime, the Board's staff will continue its study of the various proposals and be prepared to submit definite recommendations to the Board as soon as practicable."

Approved unanimously.

Letter to Mr. Milton T. Raynor, Counsel, Greater Chicago Used Car Dealer Association, Room 900, 33 North La Salle Street, Chicago, Illinois, reading as follows:

"This is in reply to your letter of March 12, 1947, which opposes the appraisal guide provision of Regulation W on the following grounds: (1) evasion of the down payment requirement by inflating the prices of both the trade-in and the car sold could only occur in 25 per cent to 30 per cent of the sales, since these are the proportions of total used car sales you observe to involve trade-ins, (2) the finance companies and banks who finance the car dealers would not tolerate any inflation of trade-in values, and (3) appraisal guide values are below the true value.

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"Although we appreciate the force of these arguments we have certain important reservations about them. It is likely, for instance, that the proportion of cars traded in will increase as marketing conditions become more normal, and more trade-ins probably would be offered if the down payment requirement could be avoided by that means; in any event, evasion of the provisions in nearly one-third of used car transactions would seriously impair the effectiveness of the regulation. Also, there is reason to believe that inflation of trade-in values was fairly general before the war, indicating that whatever influence the finance companies had in curbing this practice was not very effective.

"The accuracy of the retail values stated by the appraisal guides was discussed at the meeting in which you presented your views to the Board. We expect that these valuations will be generally closer to the market as the publishers gain more experience and the market becomes more stable following the elimination of price controls.

"We have noted the points you have raised and you may be sure that they will be given full consideration in our continuing studies of the terms of the regulation."

Approved unanimously.

Memorandum dated April 1, 1947, from Mr. Smead, Director of the Division of Bank Operations, reading as follows:

"For the reasons stated below, it is recommended that the Board approve the attached draft of form F. R. 105 for use in obtaining reports of condition of State member banks on the forthcoming mid-year call, provided corresponding changes are made in the condition report forms of national banks and insured nonmember banks, respectively. It is further recommended that we be authorized to make any minor changes in phraseology, arrangement, etc., of items and related instructions that may be agreed upon in negotiations with the offices of the Comptroller of the Currency and the Federal Deposit Insurance Corporation.

"The proposed form would be the same as that used on December 31, 1946 with the following exceptions:


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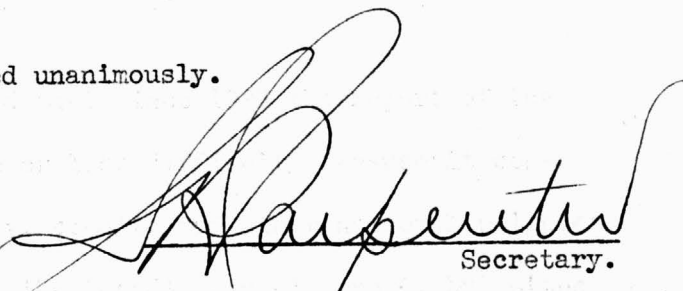
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- "1. Insertion of new Schedule J at the bottom of the face side of the form showing the maturity breakdown of securities other than United States Government obligations. For the present it is proposed that this information be collected from the banks only at the next call date, but it may be found desirable to collect similar data at three- to five-year intervals. It is understood that the Division of Research and Statistics considers that the information to be reported in the new schedule is necessary to make a clear-cut test of the bond limitation plan. No maturity breakdown of securities other than United States Government obligations is available since the June 1942 call, during which time holdings of such securities have increased from \$5.4 billion to \$6.4 billion at the end of 1946; and the June 1942 data are too old to be of much use in analyses of bank assets.
2. Combination of items 2(a) and 2(b) in Schedule E into a single item, as reported prior to June 30, 1943. War loan and Series E bond balances to the credit of the United States Government will again be subject to reserves and deposit insurance assessments on July 1 (six months after the termination of hostilities as proclaimed by the President), and the segregation of such deposits from other United States Government deposits will no longer be significant."

Approved unanimously.

Approved:


Chairman.


Secretary.