

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, June 20, 1947. The Board met in the Board Room at 10:45 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Sherman, Assistant Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Smead, Director of the Division of  
 Bank Operations  
 Mr. Vest, General Counsel  
 Mr. Townsend, Assistant General Counsel

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Atlanta, Chicago, Kansas City, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of Atlanta on June 17, by the Federal Reserve Bank of San Francisco on June 18, by the Federal Reserve Banks of New York, Philadelphia, Chicago, and Kansas City on June 19, 1947, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Chairman Eccles referred to the invitation extended by the Board to the National Association of Supervisors of State Banks pursuant to the action taken at the meeting April 23, 1947, to be the

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guests of the Board at a dinner at the time of the annual conference of the Association in Washington on September 24, 25, or 26, and Mr. Carpenter stated that the invitation had been accepted and that the main ballroom at the Mayflower Hotel had been reserved tentatively for September 25, as it was expected that between 200 and 300 people would be present.

Chairman Eccles said that he felt invitations for the dinner should include the Comptroller of the Currency, representatives from the Treasury Department, and members of the Board of the Federal Deposit Insurance Corporation because of their responsibilities in the supervisory field, but that it did not need to include local bankers who might be asked to attend some of the other meetings of the Association. He also said that he felt the Board should be host to the Association and that it was not necessary to ask the Federal Reserve Bank of Richmond to be joint host inasmuch as the reasons for the Board serving as host would not justify bringing the Federal Reserve Bank of Richmond into the picture any more than any other Federal Reserve Bank.

After a discussion, it was agreed unanimously (1) that Messrs. Evans and Clayton should make arrangements for the dinner at the Mayflower Hotel, including the program and speaker for the dinner and the determination of who should be invited as guests, and (2) that the appropriate item of the Board's budget would

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be increased by an amount equal to the cost of the dinner.

Mr. Evans stated that invitations to attend the annual convention of the American Bankers Association to be held at Atlantic City from September 28 to October 1, 1947, had been received by members of the Board and the staff, and that since the Personnel Committee would be receiving requests for approval of travel authorization to attend the convention, it would like to have an indication of the extent to which the Board felt it should be represented at the meetings. There was a general discussion of the reasons why the Board should be represented at the convention, and it was the view of the members present that attendance by at least some of the Board members was desirable as a matter of promoting better relations with the Association and bankers generally, but that attendance by staff members should be limited to instances in which a specific purpose might be served by the presence of a division head or other staff members.

It was agreed unanimously that, if possible, at least two Board members should attend the annual conventions of the Association, and that members of the staff should be authorized to attend only when it appeared that such attendance would have some immediate value to the Board or there was a specific reason for the attendance.

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Chairman Eccles stated that in view of Mr. Szymczak's return from Europe, Mr. Ransom's illness, and Mr. Vardaman's temporary absence because of illness, he had been considering some rearrangements of the assignments of Board members as agreed upon at the meeting on March 20, 1947. He outlined briefly his suggestions for assignments of alternates in connection with the assignments of subjects for initial consideration by the individual members and the Personnel Committee and suggested that, pending the return of Mr. Ransom to duty, Mr. Szymczak be elected Chairman pro tempore to serve in the absence of the Chairman. The assignments as proposed by Chairman Eccles were as follows:

"Chairman Eccles

"1. Economic and monetary policy matters (open market operations, discount rates, reserve requirements, interest rates, Government finance, international monetary questions).

2. Policies involved in the initiation and adoption of legislation and executive orders affecting the System.

3. Public relations of Board of Governors.

(Chairman Eccles is chairman of the Open Market Committee and of its executive committee. He is also by statute a member of the National Advisory Council on International Monetary and Financial Problems and a member of the Advisory Board to the Export-Import Bank.)

"Vice Chairman Ransom

"Pending return to duty of Mr. Ransom, Mr. Szymczak will assume his duties (except as to item 3 in Mr. Ransom's assignments) and will serve as Chairman pro tem. in the absence of Chairman Eccles.

"1. As the Vice Chairman is charged with the responsibility of acting as Chairman in the absence of

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"the latter, he shares with the Chairman the consideration of matters specifically assigned to the latter, in such manner as they may decide from time to time.

2. Reports on legislation and other legislative matters not handled by the Chairman.

3. Regulation of consumer credit. (Alternate, Mr. Evans)

"Mr. Szymczak

(Alternate, Mr. Clayton)

"1. Institutions engaged in international and foreign banking subject to sections 25 and 25A of the Federal Reserve Act; foreign branches of domestic banks.

2. Relations of Reserve Banks with foreign banks, bankers, and governments; staff missions of Reserve Banks and Board to foreign countries.

3. Relations with holding company and other affiliates, examinations of affiliates, issuance and revocation of voting permits of holding company affiliates.

4. Federal Reserve Retirement System. (Mr. Szymczak is one of the Trustees of the Retirement System, elected by the Board as its representative.)

"Mr. Draper

(Alternate, Mr. Szymczak)

"1. Discounts and advances of Reserve Banks; purchases by Reserve Banks of securities and bills other than through System open market account; questions of eligibility of paper for discount or as security for advances.

2. Extension and maintenance of credit by brokers, dealers, banks and others for purchasing or carrying securities.

3. Lending activities of Government agencies (other than those in the agricultural field).

4. Federal Reserve activities relating to war loans under Executive Order 9112, the Contract Settlement Act of 1944, and loans under Section 13b of the Federal Reserve Act.

5. Building operation and maintenance.

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"Mr. Evans

(Alternate, Mr. Draper)

"1. Agricultural conditions, including prices, production, exports and imports; and relations concerning these subjects with Department of Agriculture, Farm Credit Administration and other agencies; lending activities of Government agencies in the agricultural field.

2. Publications of the Federal Reserve System; call reports of condition and other periodical reports of member banks.

3. Coordination and development of relations of Federal Reserve Banks with member banks, nonmember banks, banking associations, educational institutions, and the general public.

4. Voluntary pay roll deduction plans for Government bonds.

5. Research programs of Federal Reserve Banks and Board of Governors.

"Mr. Vardaman

(Alternate, Mr. Szymczak)

"1. Services of Reserve Banks and reimbursement therefor; expenditures, including Reserve Bank budgets, Salary Classification Plan\* and Functional Expense Reports; examinations of Reserve Banks; reserves for losses; charge-offs and dividends; Reserve Bank stock.

2. Establishment regulation and discontinuance of branches and agencies of Reserve Banks; determination of district and branch territorial limits.

3. Clearance and collection systems; currency matters; interdistrict settlement funds.

4. Outside business and other relations of directors, officers and employees of Reserve Banks; removal of directors, officers and employees of Reserve Banks.

5. Those aspects of questions arising in the administration of the Board's affairs which are of special concern to veterans. (When a question arises which involves a veteran problem Mr. Vardaman will be consulted or will consult with the member of the Board whose assignments include the other aspects of the question.)

\* Pursuant to the action taken by the Board on May 23, 1947, matters relating to the salary classification plans are assigned to the Personnel Committee until the plans now being prepared are approved by the Board and put into effect after which the assignment will revert to Mr. Vardaman and Mr. Szymczak will be his alternate.

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"Mr. Clayton  
(Alternate, Mr. Evans)

"1. Admissions to, conditions of, and termination of membership of State banks; trust powers for member banks.

2. Supervision and examination of State member banks, domestic branches, mergers, consolidations, adjustment of capital structure, maintenance of required reserves, payment of interest on deposits, of member banks; relations regarding these matters with Federal Deposit Insurance Corporation, Reconstruction Finance Corporation, and Comptroller of the Currency.

3. Loans and investments of member banks, including acceptances; relations regarding these matters with Comptroller of the Currency, Securities and Exchange Commission, and other Government agencies.

4. Interlocking relations of directors, officers and employees of member banks serving other banks and security dealers; loans to executive officers of member banks; removal of directors, officers and employees of member banks; disposition of criminal charges.

"Personnel Committee

"1. Appointments of Class 'C' directors of Reserve Banks and the directors of branches who are appointed by the Board.

2. Designations of Chairmen and Federal Reserve Agents and appointments of Deputy Chairmen of Federal Reserve Banks.

3. Approvals of appointments of officers and employees of the Reserve Banks requiring action by the Board. When an appointment is in the examination or research department of a Reserve Bank, it is understood that the recommendation to the Board will be made in collaboration with Mr. Clayton or Mr. Evans, respectively.

4. Reserve Bank salaries other than those covered by the salary classification plan; executive development plan.

5. Questions relating to election and qualifications of Class A and Class B directors of Reserve Banks, including classification of member banks for such elections.

6. Board's budgets and expenditures. Questions arising as to the propriety of expense items incurred by members of the Board and its staff.

7. Approval of authorizations for official travel.

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"Committee Memberships

"Executive Committee of the  
Federal Open Market Committee

(Until February 29, 1948)

Chairman: Mr. Eccles

Vice Chairman: Mr. Sproul

Mr. Draper

Mr. Vardaman

Mr. Davis

Alternates

For Board members

1. Mr. Szymczak

2. Mr. Clayton

3. Mr. Evans

Note: Upon Mr. Ransom's return he will serve as first alternate in the absence of Mr. Eccles and as third alternate in the absence of Messrs. Szymczak and Clayton.

For Presidents

1. Mr. Gidney

2. Mr. Payton

Personnel Committee

(Until February 29, 1948)

Mr. Evans

Mr. Clayton"

Upon motion by Mr. Draper, Mr. Szymczak was elected to serve as Chairman pro tempore in the absence of Chairman Eccles during the period of Mr. Ransom's absence because of illness, and the assignments as recommended by Chairman Eccles were approved unanimously.

Chairman Eccles read a letter dated June 17, 1947, from Secretary of the Treasury Snyder inviting him, as a member of the National Advisory Council, to attend the Annual Conference of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, to be held in London during the early part of September. Chairman Eccles stated that he would not be able to attend the conference but that he felt the Board should be represented and, because of his thorough familiarity with the entire subject, it

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was suggested that Mr. Knapp, Assistant Director of the Division of Research and Statistics in charge of the International Section, be authorized to attend. Chairman Eccles added that he also felt this would be a good time for Mr. Knapp to visit several European countries in connection with his work for the Board.

Upon motion by Mr. Szymczak, it was voted unanimously (1) to authorize Mr. Knapp to attend the conference in London and during the trip to visit other countries in Europe as authorized by the Chairman, and (2) to authorize another member of the staff to accompany Mr. Knapp if, in the judgment of Chairman Eccles, the work to be done on the trip would justify a second person.

Chairman Eccles referred to a threatened suit by the Michigan National Bank of Lansing, Michigan, to challenge the legality of the amendment to Regulation D made by the Board effective August 1, 1945, which requires a member bank having its head office in a non-reserve city and a branch in a reserve city to maintain the same reserves on all of its deposits as are required of a bank with its head office in a reserve city.

At the Chairman's request, Mr. Townsend stated that Mr. Stoddard, President of the Michigan National Bank, had retained the New York firm of Garey, Kissam & Garey, attorneys, as counsel in connection with this matter which he (Mr. Townsend) interpreted as an indication that, in the absence of a satisfactory solution of

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the case, the bank intended to take it into the courts. He also said that about a month ago Mr. Stoddard and his attorneys called on the Legal Division to discuss the matter, at which time they were told that it was being carefully considered by the Board and that within a reasonable time the national bank would be advised of the Board's decision. He made the further statement that this week Mr. Garey of the New York law firm called to say that Mr. Stoddard was pressing for action and had instructed that a suit be filed by July 1 if no word were received from the Board before that time. Mr. Townsend thought that if it were made clear to the attorneys that the Board was actively working on the matter and a decision would be forthcoming within a reasonable time that would forestall a suit for the time being.

Following a statement by Messrs. Vest and Townsend to the effect that while the Board probably would win the suit there were reasons why it would be better if litigation could be avoided, there was a discussion of the matter in the light of the consideration that had been given to it in the past, the policies followed by the Board with respect to the designation of reserve cities, and the alternative actions that were available to the Board.

Upon motion by Mr. Vardaman, it was agreed unanimously that the matter be referred to Messrs. Clayton and Szymczak for consideration, with

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the understanding that they would submit to the Board, if possible by Friday, June 27, a recommendation of the action to be taken by the Board. It was also understood that Mr. Townsend would inform Mr. Garey that the Board had discussed the matter at a meeting and that it proposed to submit various alternative actions to the Federal Reserve Banks and the Federal Advisory Council with the statement that the Board intended to adopt one of the alternatives and would like to have the views of the Reserve Banks and the Federal Advisory Council as to the course of action that should be followed.

At this point Messrs. Smead, Vest, and Townsend withdrew and the action stated with respect to each of the matters herein-after set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 19, 1947, were approved unanimously.

Memorandum dated June 16, 1947, from the Division of Personnel Administration, recommending that an increase in the basic salary of Fletcher E. Brown, messenger in Governor Vardaman's office, from \$2,020 to \$2,093.04 per annum be approved, effective June 29, 1947.

Approved unanimously.

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve

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"Bank of Atlanta and its Branches, consisting of increases in maximum annual salaries in accordance with the schedule submitted with your letter of June 13, 1947, as indicated below.

<u>"Office</u>	<u>Number of Positions</u>
Atlanta	39
Birmingham	27
Jacksonville	28
Nashville	30
New Orleans	27

"It is noted from your letter that new Form A pages reflecting the approved changes will be submitted to the Board. However, in view of the contemplated early adoption of the new personnel classification plans, it will not be necessary to submit revised pages, since appropriate changes will be made on the Board's copy of your plan."

Approved unanimously.

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Grants State Bank, Grants, New Mexico, became a member of the Federal Reserve System on June 14, 1947, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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Letter to the Bank of America National Trust and Savings Association, San Francisco 20, California, reading as follows:

"This refers to the letter of June 11, 1947, from Vice President Everard of your bank requesting an extension of time within which you may establish and open for business a branch at Shanghai, China.

"The Board of Governors of the Federal Reserve System granted its permission on June 28, 1946, for the establishment of such branch provided it was established and opened for business on or before July 1, 1947.

"The Board of Governors of the Federal Reserve System extends to January 1, 1948, the time within which Bank of America National Trust and Savings Association may establish and open for business a branch at Shanghai, China, in accordance with the provisions of its order of June 28, 1946."

Approved unanimously.

Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your telegram June 19. Board approves extension to September 24, 1947 of loan by your Bank to Banque de Grece not to exceed \$10,800,000 outstanding at any one time, such loan to be secured by gold earmarked in your vaults. It is understood that the loan is to be made on the terms and conditions outlined in your telegram as follows:

A) Such loan to be made up to 98 per cent of the value of the refined gold bars held in your vaults as collateral;

B) Such loan to run for a maximum of three months or for a shorter period if Greek situation should afford an opportunity for earlier repayment;

C) Such loan to bear interest for its duration at the discount rate of your Bank in effect on the date on which such loan is made.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

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Memorandum dated June 18, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending that an assessment of one hundred and ninety-eight thousandths of one per cent (.00198) of the total paid-in capital and surplus (sections 7 and 13b) of the Federal Reserve Banks as of June 30, 1947, be levied against the Federal Reserve Banks for the general expenses of the Board of Governors for the period July 1 to December 31, 1947, and that the Banks be instructed to pay in the assessment in two equal installments on July 1, 1947 and September 3, 1947.

The following resolution levying an assessment in accordance with the above recommendation was adopted by unanimous vote:

"WHEREAS, Section 10 of the Federal Reserve Act, as amended, provides among other things, that the Board of Governors of the Federal Reserve System shall have power to levy semiannually upon the Federal Reserve Banks, in proportion to their capital stock and surplus, an assessment sufficient to pay its estimated expenses and the salaries of its members and employees for the half year succeeding the levying of such assessment, together with any deficit carried forward from the preceding half year, and

"WHEREAS, it appears from a consideration of the estimated expenses of the Board of Governors of the Federal Reserve System that for the six months' period beginning July 1, 1947, it is necessary that a fund equal to one hundred and ninety-eight thousandths of one per cent (.00198) of the total paid-in capital stock and surplus (Section 7 and Section 13b) of the Federal Reserve Banks be created for such purposes, exclusive of the cost of printing, issuing and redeeming Federal Reserve notes;

"NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM, THAT:

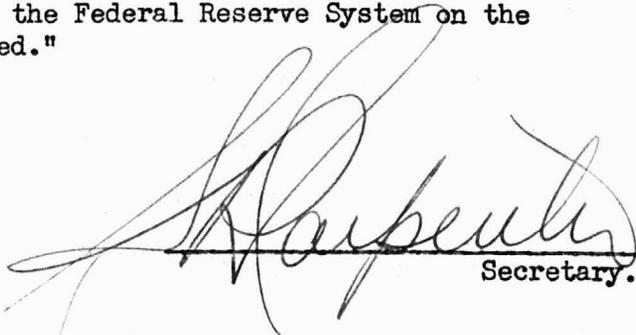
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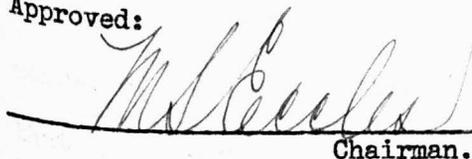
"(1) There is hereby levied upon the several Federal Reserve Banks an assessment in an amount equal to one hundred and ninety-eight thousandths of one per cent (.00198) of the total paid-in capital and surplus (Section 7 and Section 13b) of each such Bank at the close of business June 30, 1947.

"(2) Such assessment shall be paid by each Federal Reserve Bank in two equal instalments on July 1, 1947, and September 2, 1947, respectively.

"(3) Every Federal Reserve Bank except the Federal Reserve Bank of Richmond shall pay such assessment by transferring the amount thereof on the dates as above provided through the Interdistrict Settlement Fund to the Federal Reserve Bank of Richmond for credit to the account of the Board of Governors of the Federal Reserve System on the books of that Bank, with telegraphic advice to Richmond of the purpose and amount of the credit, and the Federal Reserve Bank of Richmond shall pay its assessment by crediting the amount thereof on its books to the Board of Governors of the Federal Reserve System on the dates as above provided."

  
Secretary.

Approved:

  
Chairman.