

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, June 23, 1947.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 20, 1947, were approved unanimously.

Memorandum dated June 16, 1947, from Mr. Carpenter recommending the appointment of Mrs. Margaret Jordan Molster as a file clerk in the Office of the Secretary, on a temporary basis for a period of six months, with basic salary at the rate of \$2,243.52 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum also stated that Mrs. Molster was a member of the Civil Service retirement system and would remain in that system.

Approved unanimously.

Memorandum dated June 20, 1947, from Mr. Smead, Director of the Division of Bank Operations, recommending the appointment on a permanent basis of Mrs. Esther G. Peck, a clerk in that Division, to be effective as of the expiration of her temporary

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appointment at the close of business June 23, 1947, with no change in her present basic salary of \$2,318.76 per annum.

Approved unanimously.

Memorandum dated June 18, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment on a permanent basis of James P. Lynch, a clerk in that Division, effective as of the expiration of his temporary appointment at the close of business July 29, 1947, with no change in his present basic salary of \$3,021 per annum. The memorandum also stated that Mr. Lynch was a member of the Civil Service retirement system.

Approved unanimously.

Memorandum dated June 17, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending the transfer of Benjamin R. Reading, a leave clerk in the Division of Personnel Administration, to the Division of Administrative Services as a clerk, with no change in his present basic salary of \$2,469.24 per annum, effective July 21, 1947. The memorandum also stated that the transfer was agreeable to the Division of Personnel Administration.

Approved unanimously.

Telegram to Mr. E. O. Batson, President, Batson-McGehee & Company, Inc., Poplarville, Mississippi, reading as follows:

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"Board of Governors of Federal Reserve System has appointed you Director of New Orleans 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 the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

"In accordance with the request contained in your letter of June 13, 1947, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of subsection (k)(2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of the Cranford Trust Company, Cranford, New Jersey, in connection with its application for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"There are no unfulfilled conditions nor incomplete corrective programs with respect to the member bank in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank. On May 16, 1947, the Board granted the bank's request for waiver of the six months' notice that may be required for withdrawal from membership."

Approved unanimously.

Letter to the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

"Attached is a copy of a letter from Mr. Sailor to the Trust Company of Georgia Associates of Atlanta, Georgia, a holding company affiliate as defined by the Banking Act of 1933, requesting certain information and reports, and a copy of Mr. Black's reply suggesting that the information desired might be obtained from the Federal Reserve Board.

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"The question has been raised with the Board in this connection as to unnecessary duplication of reports and requests for information. The Board suggests, therefore, that it would be helpful if you and Governor Clayton could consider together this general question of information regarding holding company affiliates, with a view to the appropriate utilization of available material and the elimination of any unnecessary duplication in the development of such information."

Approved unanimously.

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

"This refers to your letter of June 3, 1947, concerning Regulation T. Your letter relates to the last paragraph of our letter of August 27, 1946, which reads as follows:

'The inquiry states that it is planned to use a joint account for certain of these transactions, and that the account would be carried by one of the participants. In this connection it should be noted that section 6(b) in effect requires that each participant margin his share of the joint account to the extent of his right to share in the profits. This requirement does not apply to a special arbitrage account that complies with section 4(d), but it does apply to a general account.'

"We assume that your present inquiry relates to the same kind of situation as that discussed in our earlier correspondence. There, A and B, two members of a national securities exchange, formed a joint adventure to trade in securities, and the account was carried by A. The profits were to be shared fifty-fifty.

"As we understand it, you wish to know whether in such a situation, under the paragraph quoted above and section 6(b) to which it relates, B (having a 50 per cent interest in the profits) must supply 50 per cent of the margin required for the account, or whether there is a method by

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"which A can contribute an additional amount and thereby reduce the adjusted debit balance to a point where it will satisfy the regulation.

"The answer to this question depends upon the calculation of the special amount to be included in the adjusted debit balance in this connection, which section 6(b) specifies to be 'any amount by which the creditor's contribution to the joint adventure exceeds the contribution which he would have made if he had contributed merely in proportion to his right to share in the profits of the joint adventure'. If, in the case of a fifty-fifty account, the other participant is to contribute \$1,000, the creditor would be contributing in proportion if he likewise contributed \$1,000. When the creditor contributes any more than \$1,000, an amount equal to the excess above \$1,000 is added to the adjusted debit balance and consequently the excess contribution does not become available for margin purposes. If the other participant is to contribute nothing, the creditor's corresponding share would be nothing, and all that the creditor actually contributed would be excess, so that no margin would be available. Since none of the excess can serve as margin in any such case, the effect is to require the other participant to margin his share of the account. The following is an example of how the rule works.

"Suppose that in the case described above, the account carried by A for the joint adventure starts with no debit or credit balance and no security positions. Then the account purchases \$8,000 market value of registered non-exempt securities. Under present loan values, this would require a margin of \$6,000. If A supplies \$3,000 and B supplies \$3,000 through their contributions to the joint adventure, the requirement is met. However, if A supplies \$4,000 and B supplies only \$2,000, A will have contributed \$2,000 more than his proportionate amount. This \$2,000 would be added to the actual debit balance of \$2,000, and the resulting adjusted debit balance of \$4,000 would be greater than the maximum loan value of the securities. A further contribution of \$1,000 by B would reduce the actual debit balance to \$1,000 and the adjustment for A's excess contribution (which would then be \$1,000) would bring the adjusted debit balance to \$2,000, which equals the maximum loan

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"value. A could of course withdraw his excess \$1,000 if he wished.

"We appreciate that the rule looks more complicated than would seem to be necessary for the case which we have taken as an example. It must, however, provide for the great variety of transactions which can occur in an account.

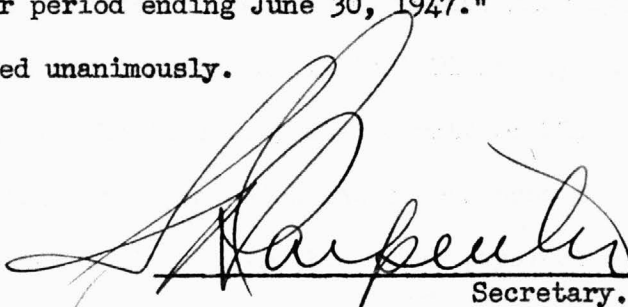
"You will understand that the reason for the rule is to prevent a creditor from employing the device of a joint account as a means of extending more credit than the regulation permits."

Approved unanimously.

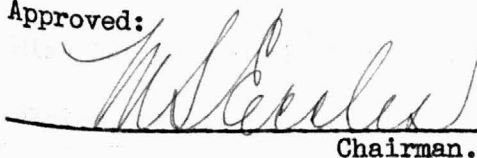
Telegram to the Presidents of all the Federal Reserve Banks reading as follows:

"Board of Governors approves payment of regular semiannual dividend for period ending June 30, 1947."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.