

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, July 7, 1947.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on July 3, 1947, were approved unanimously.

Memorandum dated July 1, 1947, from Mr. Sloan, Assistant Director of the Division of Examinations, submitting for approval letters to the following foreign banking corporations calling for the submission of reports of condition as of June 30, 1947:

Bankers Company of New York,	New York, New York
First of Boston International Corporation,	Boston, Massachusetts
French American Banking Corporation,	New York, New York
International Banking Corporation,	New York, New York
Morgan & Cie. Incorporated,	New York, New York
The Chase Bank,	New York, New York

The memorandum also stated that the first five corporations were organized under State laws but operate under agreements made with the Board pursuant to the provisions of section 25 of the Federal Reserve Act, and that The Chase Bank was chartered by the Board under the provisions of section 25(a) of the Act.

Approved unanimously.

Letter to the board of directors of the "Manteno State Bank",

7/7/47

-2-

Manteno, Illinois, 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 Chicago.

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

Letter to Mr. Harry W. Besse, President, Boston Stock Exchange, 53 State Street, Boston, Massachusetts, reading as follows:

"This is in reply to your letter of June 23, 1947, which called attention to a difficulty you have experienced in seeking to have corporations list their securities on your Exchange. You have mentioned one case in which it was objected that listing would subject bank loans to purchase the stock to the margin restrictions.

"We appreciate that this aspect of listing will be considered a handicap by some managements.

"As you know, the Securities Exchange Act of 1934 does not give the Board authority to control bank loans to finance the purchase of unregistered securities. According to our understanding, the reasons why the control was not extended to unregistered securities were the following:

First, prices in the over-the-counter market tend to follow the exchange markets.

Second, speculative activity does not in general develop on so wide a scale in the over-the-counter markets.

Third, the amount of credit used for the purchase of over-the-counter stocks is rather small.

Fourth, the lack of an adequate record of prices in the over-the-counter market would make it difficult in many cases to ascertain loan values for purposes of regulation.

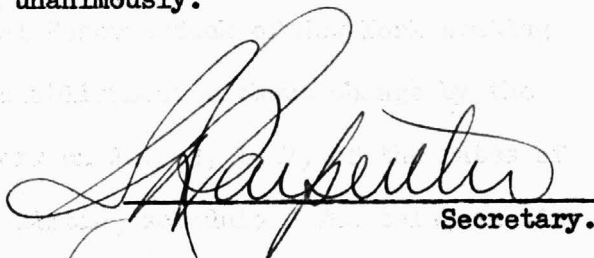
7/7/47

-3-

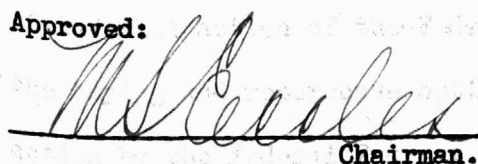
"You will remember that in the conferences before the war on possible changes in the securities acts there was some suggestion that the Securities Exchange Act be amended to give the Board power to control such loans, but there has not been much consideration of the subject in the recent revival of the discussions.

"The only suggestion which we can make to you is that sometimes the officers of these corporations are under the impression that the restriction goes to any use of registered stock as collateral rather than just to loans for the purpose of financing the purchase of such stock. Perhaps it is also worth noting that the regulation does not cover bank loans which are not secured by any stock, no matter what the purpose may be."

Approved unanimously.


Secretary.

Approved:


Chairman.