

7/9/47 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, July 9, 1947.

PRESENT: Mr. Eccles, Chairman
 Mr. Szymczak
 Mr. Evans
 Mr. Vardaman
 Mr. Clayton
 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 7, 1947, were approved unanimously.

Telegram to the Federal Reserve Bank of New York stating that the Board approves the establishment without change by the Federal Reserve Bank of New York on July 3, 1947, of the rates of discount and purchase in its existing schedule. The telegram also stated that action of the Federal Open Market Committee determined the buying and repurchase option rate on Treasury bills, and that action by the Federal Reserve Banks and the Board with respect to such rate was not required.

Approved unanimously.

Memorandum dated July 2, 1947, from Mr. Carpenter recommending that an increase in the basic salary of Mrs. Hazel H. Pye, a file clerk in the Office of the Secretary, from \$2,619.72 to \$2,770.20 per annum be approved, effective July 13, 1947.

Approved unanimously.

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Memorandum dated July 7, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that the resignation of Miss Frieda Baird, an economist in that Division, be accepted to be effective, in accordance with her request, at the close of business July 9, 1947, with the understanding that a lump sum payment would be made for annual leave remaining to her credit as of that date.

Approved unanimously.

Letter to Mr. Creighton, Chairman of the board of directors of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with your letter of June 30, 1947, the Board of Governors approves the payment of salary to Mr. Roy F. Van Amringe as Vice President at the rate of \$10,000 per annum, and to Mr. Robert B. Harvey as Cashier at the rate of \$9,000 per annum for the period July 1, 1947, through April 30, 1948."

Approved unanimously.

Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with your letter of July 7, 1947, the Board of Governors approves the payment of salary to Mr. Karl R. Bopp as Vice President at the rate of \$13,000 per annum, for the period July 1, 1947, through April 30, 1948."

Approved unanimously.

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

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"In accordance with the request contained in your letter of July 2, 1947, the Board approves the designation of Charles L. Carter as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

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

"In accordance with the request contained in your letter of July 2, 1947, the Board approves the designation of Charles H. Burke as a special assistant examiner for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

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

"Reference is made to your letter of June 27, 1947, submitting the request of The County Trust Company, White Plains, New York, for approval of the establishment of eight branches in Westchester County, New York, in connection with the proposed absorption through merger of the Washington Irving Trust Company, Port Chester, New York, and The Bank of Westchester, Yonkers, New York, and at the present banking locations of the two banks to be absorbed.

"In view of your recommendation, the Board of Governors approves the establishment and operation of two branches in Larchmont, one branch in Mount Kisco, two branches in Port Chester, one branch in Tarrytown, and two branches in Yonkers, all in New York, by The County Trust Company, White Plains, New York, provided the proposed absorption through merger of the Washington Irving Trust Company and The Bank of Westchester is effected substantially in accordance with the agreements as submitted and final and formal approval of the appropriate State authorities is obtained; with the understanding that Counsel for the Reserve Bank will review and satisfy

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"himself as to the legality of all steps taken to effect the proposed mergers and establish the branches."

Approved unanimously.

Letter to The National City Bank of New York, New York 15, New York, reading as follows:

"This refers to the letter of June 30, 1947, from Vice President L. N. Shaw of your institution, requesting an extension of the time in which you may establish and open for business a branch at Porto Alegre, Brazil.

"The Board of Governors of the Federal Reserve System granted its permission on February 17, 1944, for the establishment of such branch with a proviso that it be opened and established for business on or before February 15, 1945. By its letters of February 1, 1945, July 13, 1945, and July 12, 1946, such time was extended successively to August 15, 1947.

"The Board of Governors of the Federal Reserve System extends to August 15, 1948, the time within which The National City Bank of New York may establish and open for business a branch at Porto Alegre, Brazil, in accordance with the provisions of its order of February 17, 1944."

Approved unanimously.

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

"Reference is made to your letter of June 14, 1947, with regard to a possible movement among State member banks in Montana to issue capital debentures to their shareholders in lieu of common capital stock.

"In view of the opinion of Counsel submitted with your letter, it would appear that the questions raised therein may be wholly academic but the basic question, numbered 1, would be answered in the negative by the provisions of Section 9 of the Federal Reserve Act, Section 1 (f) of the Board's Regulation H, and the Board's ruling in November 1934 (F.R.L.S. #3426).

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"If, as indicated by your Counsel, State banks in Montana may not lawfully borrow money for capital purposes except from RFC or some other agency or quasi-agency of the Federal Government, there would seem to be no reason to present questions numbered 2 and 3 for the formal consideration of the Board of Governors and this has not been done. Question numbered 4 pertains to the answers to the first three questions.

"It is noted that your Counsel called attention to the fact that the proposed State bank to be organized with \$25,000 capital to succeed The First National Bank of White Sulphur Springs, Montana, must be entitled to the benefits of insurance under Section 12B of the Federal Reserve Act, in order to be eligible for membership.

"There is, of course, a wide range of possibility with respect to the character, terms, and purposes of debentures; the rights of holders, etc., that may affect the desirability of their issuance in circumstances peculiar to a given situation but the various rulings of the Board with respect to such debentures as a basis for determining the effect of certain statutory limitations, with which you are no doubt familiar, should be taken into account in every instance. In this connection see page 749 of the 1934 Federal Reserve Bulletin. A member bank contemplating the issuance of debentures to other than the RFC, for example, should understand that such debentures would not be considered capital for the purpose of determining the limit upon loans to any one person, firm or corporation imposed by Section 5200 U.S.R.S., and that the Reserve Bank cannot rediscount any part of a line of credit exceeding such limitation."

Approved unanimously.

Letter to the "First and Peoples National Bank of Gallatin",
Gallatin, Tennessee, reading as follows:

"This refers to the resolution adopted on February 28, 1947, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with

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"the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State authorities for the protection of private or court trusts, and (3) shall not exercise hereafter any of the powers granted by section 11(k) without first applying for and obtaining a new permit to exercise such powers pursuant to the provisions of section 11(k)."

Approved unanimously.

Letter to "The Citizens' National Bank of Evansville", Evansville, Indiana, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Indiana, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the

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"preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Letter to the Honorable Alexander Wiley, Chairman, Committee on the Judiciary, United States Senate, reading as follows:

"This is in further response to your letter of April 19, 1947, regarding your proposal for the introduction of bills to repeal obsolete laws.

"As the result of a study of this matter which has been made in the Board's Legal Division, it appears that there are very few provisions of the Federal Reserve Act which are obsolete and which can be repealed without necessitating some modification of other provisions of law or without effecting some possible changes in the substantive law; and it is understood that your plan does not contemplate any attempt to codify the laws at this time. Accordingly, we doubt that the repeal of these few provisions would effect any substantial improvement in the statutes relating to the Federal Reserve System. However, there are listed in the enclosed memorandum certain provisions of the Federal Reserve Act which have been fully executed or are otherwise obsolete and which could therefore be repealed, if you should nevertheless deem it necessary to include them in your legislation on this subject.

"Your attention is called to the fact that the provisions of section 18 of the Federal Reserve Act mentioned in paragraphs 10 and 11 of the enclosed memorandum relate to matters of direct concern to the Treasury Department and, accordingly, it is suggested that that Department should be consulted and its concurrence obtained before any bill for the purpose of repealing those provisions is introduced.

"We shall, of course, be glad to furnish any further information which you may desire or lend any assistance possible in connection with this matter."

Approved unanimously.

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

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"Reference is made to 'Custodian Bulletin No. 1192' relating to 'Revision of Procedures' which the Reconstruction Finance Corporation addressed to all Custodian Banks under the date of June 20, and which was recently discussed informally with Mr. H. W. H. Burrows, Controller of the Corporation.

"It may be of interest to you to know that during this discussion Mr. Burrows stated that he wished to emphasize the fact that the procedural changes the Corporation is making were motivated entirely by economy objectives and should not be considered as reflecting in any way on the services heretofore rendered by the Reserve Banks. It was mentioned by Mr. Burrows that under the previously existing procedure there were many instances where the Loan Agencies and the Washington Office were keeping informal records which paralleled the accounts maintained by the Custodian Banks. When the procedural changes concentrating the work in the Loan Agencies become fully effective, it is anticipated, we were advised, that not only will there be a substantial reduction in expenses which are reimbursable to the Reserve Banks, but that the Corporation will also be able to reduce considerably personnel in its Washington Office. Mr. Burrows added that he hoped the Reserve Banks would continue to cooperate with the Loan Agencies by passing on to them the benefit of any experience gained by the Banks which they felt might be helpful to the Loan Agencies in the new work that the latter are about to undertake."

Approved unanimously.

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

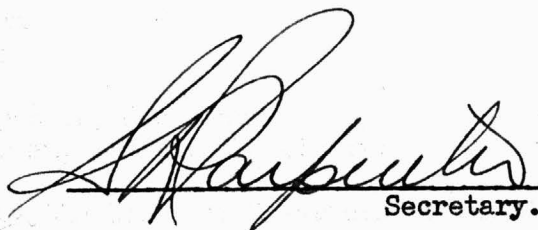
"Receipt is acknowledged of your letter of June 24 responding to my letter of June 23. It was the thought of the Board that the matter in question should be discussed at the policy level, but evidently you feel that there should be some preliminary discussion before it comes to you for consideration. In the circumstances it will be appreciated if you will have Mr. Sailor contact Mr. Leonard, or in his absence, Mr. Millard, for the preliminary discussion. Thereafter, it is hoped

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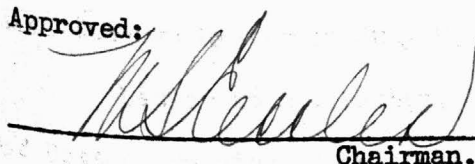
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"by the Board that the policy questions can be discussed between you and Governor Clayton."

Approved unanimously.


Secretary.

Approved:


Chairman.