

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, October 10, 1947.

PRESENT: Mr. Szymczak, Chairman pro tem
Mr. Draper
Mr. Evans

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman

Telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on October 7, by the Federal Reserve Banks of New York, Cleveland, Richmond, Atlanta, Chicago, Minneapolis, Kansas City, and Dallas on October 9, 1947, and by the Federal Reserve Banks of Boston and St. Louis today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Ismar Baruch, Chief, Personnel Classification Division, U. S. Civil Service Commission, reading as follows:

"Pursuant to the request contained in an undated circular letter addressed to the heads of departments and independent agencies by Senator Ralph E. Flanders, Chairman of a subcommittee of the Senate Committee on Civil Service, there are enclosed 25 forms covering all full-time regular positions in the Board of Governors of the Federal Reserve System as of September 1, 1947, with basic salary rates of \$9975 or more within the forty-eight States and the District of Columbia.

10/10/47

-2-

"As you know, Section 10 of the Federal Reserve Act provides in part that the compensation of the Board's employees shall be governed solely by the provisions of the Federal Reserve Act, and that the funds which the Board derives from assessments against Federal Reserve Banks to defray its estimated expenses and salaries of its members and employees shall not be construed to be Government funds or appropriated monies."

Approved unanimously.

Memorandum dated October 10, 1947, from Mr. Carpenter recommending that the resignation of Miss Myrtle J. Pagenkopf, a file clerk in the Office of the Secretary, be accepted to be effective in accordance with her request, at the close of business October 31, 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.

Memorandum dated October 9, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the transfer of Bonnar Brown, Assistant Director of the Division of Security Loans, to the Division of Research and Statistics as Assistant Director, with an increase in his basic salary from \$8,778 to \$9,400 per annum, both effective October 19, 1947. The memorandum also stated that the transfer had been discussed with Mr. Parry and had his consent.

Approved unanimously.

Letter to Sucesion J. Serralles, Ponce, Puerto Rico, reading as follows:

10/10/47

-3-

"From information which was recently received by the Board of Governors of the Federal Reserve System, it is disclosed that approximately 68 per cent of the shares of stock of the Pan American Bank of Miami, Miami, Florida, are now owned by Sucesion J. Serralles, a civil general partnership. The Board has also been advised that a civil general partnership under the laws of Puerto Rico is a legal entity separate and distinct from the partners who compose it in the same manner as a corporation in the United States is a legal entity separate and distinct from its stockholders.

"Section 2(c) of the Banking Act of 1933 provides in part as follows:

'(c) The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization --

'(1) Which owns or controls, directly or indirectly, either a majority of the shares of capital stock of a member bank * * *.'

In view of this provision of law, it is the Board's opinion that Sucesion J. Serralles is a holding company affiliate of the Pan American Bank of Miami, Miami, Florida.

"However, the Board understands that Sucesion J. Serralles was not established and is not operated for the purpose of managing or controlling banks, and that it does not own or control any significant portion of the stock of, or manage or control, any bank other than the Pan American Bank of Miami.

"In view of these facts, the Board has determined that Sucesion J. Serralles is not engaged directly or indirectly as a business in holding the stock of, or managing or controlling banks, banking associations, savings banks or trust companies within the meaning of the following further provision of section 2(c) of the Banking Act of 1933:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) * * * any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

10/10/47

-4-

"By reason of such determination, Sucesion J. Serralles is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. However, if the facts should at any time differ from those set out above to an extent which would indicate that Sucesion J. Serralles might be deemed to be engaged as a business in holding the stock of, or managing or controlling banks, this matter should be submitted to the Board for its determination. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

Approved unanimously, together with a letter to Mr. Denmark, Vice President of the Federal Reserve Bank of Atlanta, reading as follows:

"This refers to your letter of September 5, 1947, requesting a ruling by the Board as to the holding company affiliate status of Sucesion J. Serralles and the affiliate status of several companies owned or controlled by the Serralles family.

"It is understood that Sucesion J. Serralles, a general partnership, owns approximately 68 per cent of the stock of the Pan American Bank of Miami and also owns approximately 92.8 per cent of the stock of Wirshing & Co. S. En. C., a limited partnership. According to opinion of your Counsel and the attorney for Sucesion J. Serralles, civil general or limited partnerships under the laws of Puerto Rico are legal entities separate and distinct from the partners who compose them in the same manner as corporations in the United States are legal entities separate and distinct from their stockholders. Accordingly, the Board concurs in the opinion of your Counsel that Sucesion J. Serralles and Wirshing & Co. S. En. C. are a holding company affiliate and an affiliate, respectively, of the Pan American Bank of Miami, Miami, Florida.

"As it is understood that Sucesion J. Serralles is not operated for the purpose of managing or controlling banks, the Board has made a determination that the partnership is not a holding company affiliate for any purposes other than those of section 23A and

10/10/47

-5-

"and you are requested to forward the enclosed letter to Sucesion J. Serralles. A copy of the letter is enclosed for your files.

"With respect to Destileria Serralles, Inc., Porto Rico American Sugar Refinery, Porto Rico American Liquor Co., Inc., and Licoreria La Bodega, Inc., which were listed as affiliates of the Pan American Bank of Miami in the last report of examination, your Counsel has stated that although these companies are all owned and controlled by the various members of the Serralles family, Sucesion J. Serralles does not own or control any of the shares of stock of such companies. Therefore, unless the persons who control these four companies and Sucesion J. Serralles also are shareholders of the member bank, or unless a majority of the directors of these companies are directors of the member bank they would not appear to fall within the definition of the term 'affiliate'."

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

"This refers to your letter of September 19, 1947, transmitting copies of the report of examination of First Bank Stock Corporation, Minneapolis, Minnesota, as of June 16, 1947, and requesting that we advise you whether the Board has any objection to your furnishing a copy of the report to Mr. R. S. Beatty, District Chief National Bank Examiner.

"It is noted that national bank examiners participated in the examination of the holding company and made a simultaneous examination of The First National Bank of Saint Paul. In the circumstances, you are authorized to furnish a copy of the report of examination of the holding company to the Chief National Bank Examiner at Minneapolis, if he requests it, for his confidential information and use.

"It is suggested that, at the time of the transmission of the report to the District Chief National Bank Examiner, you inform him that the report will not be submitted to First Bank Stock Corporation, in order that he may govern himself accordingly in the confidential use of the report."

Approved unanimously.

10/10/47

-6-

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

"Reference is made to your letter of September 30, 1947, submitting the application of the State Bank of Escanaba, Escanaba, Michigan, for permission to exercise fiduciary powers.

"In view of your recommendation and the information submitted, the Board of Governors of the Federal Reserve System grants the applicant permission, under the provisions of its condition of membership numbered 2, to exercise the fiduciary powers now or hereafter authorized under its articles of incorporation and the laws of the State of Michigan. The Board's approval is given subject to acceptance by the bank of the following standard conditions (numbered 4, 5, and 6 in the Board's Regulation H, but numbered as follows for the purposes of the applicant) prescribed in connection with the admission to membership of State banks exercising fiduciary powers:

9. Such bank shall not invest funds held by it as fiduciary in stock or obligations of, or property acquired from, the bank or its directors, officers, or employees, or their interests, or in stock or obligations of, or property acquired from, affiliates of the bank.
10. Such bank, except as permitted in the case of national banks exercising fiduciary powers, shall not invest collectively funds held by the bank as fiduciary and shall keep the securities and investments of each trust separate from those of all other trusts and separate also from the properties of the bank itself.
11. If funds held by such bank as fiduciary are deposited in its commercial or savings department or otherwise used in the conduct of its business, it shall deposit with its trust department security in the same manner and to the same extent as is required of national banks exercising fiduciary powers.

"You are requested to advise the State Bank of Escanaba, Escanaba, Michigan, of the Board's action,

10/10/47

-7-

"and to obtain an appropriate resolution of the board of directors of the bank accepting the conditions listed above and forward a certified copy thereof to the Board."

Approved unanimously.

Telegram to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Relet October 3, 1947, forwarding letter from Transamerica Corporation requesting voting permit authorizing it to vote stock of First National Bank of Arizona, Phoenix, Arizona, to increase bank's capital. Since Transamerica Corporation apparently desires permit only for this limited purpose, Board will consider an application in the form of a letter rather than on usual application form. However, letter forwarded by you is inadequate. It is suggested that Transamerica Corporation submit a letter, addressed to the Board, which contains in substance the following:

'Transamerica Corporation hereby applies for a voting permit, to be issued pursuant to section 5144 of the Revised Statutes, authorizing it to vote the stock which it owns or controls of First National Bank of Arizona, Phoenix, Arizona, solely for the purpose of accomplishing an increase in the capital stock of the bank. It is understood that, under section 5144, a permit may be issued only upon certain conditions, and this Corporation hereby accepts those conditions and enters into the agreements and makes the representations which the law requires as part of an application for a voting permit.' The letter should be signed by an officer of Transamerica Corporation duly authorized by a resolution of the Board of Directors or Executive Committee of Transamerica Corporation to take such action and should be accompanied by a certified copy of the resolution. It is suggested that you and your counsel discuss this matter with the appropriate officers of Transamerica Corporation in order to avoid any misunderstanding."

Approved unanimously.

10/10/47

-8-

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

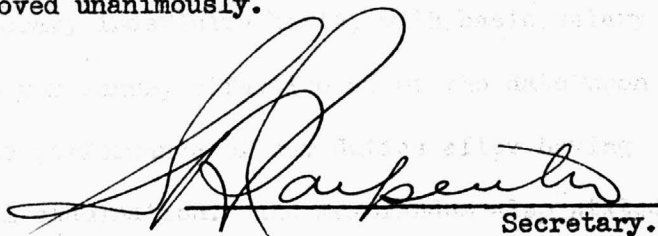
"Your wire October 9. Board approves increasing amount of loan or loans authorized by your Bank to Banque Centrale de la Republique de Turquie from \$10,000,000 to \$20,000,000 on the same terms and conditions set forth in your wire to us of September 23 and Board's approval of September 24. This approval is based on assumption that further information from Turkey will indicate that the funds are to be used to pay for current imports and that repayment will be made from the proceeds of subsequent exports, as was the case under the original loan arrangements. It is also understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

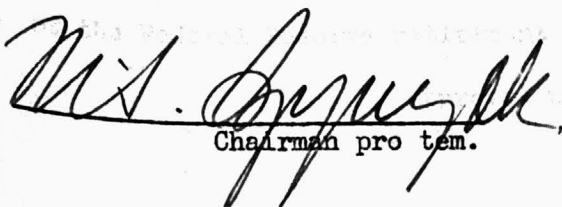
Letter to the Presidents of all Federal Reserve Banks reading as follows:

"The semiannual list of industrial loans and commitments outstanding, requested in the Board's letter of November 24, 1942 (S-591), may be discontinued after September 30, 1947."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.