

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, October 31, 1947. The Board met in the Board Room at 10:40 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Morrill, Special Adviser  
 Mr. Thurston, Assistant to the Chairman  
 Mr. Vest, General Counsel  
 Mr. Smead, Director of the Division of Bank Operations  
 Mr. Leonard, Director of the Division of Examinations  
 Mr. Nelson, Director of the Division of Personnel Administration  
 Mr. Van Fossen, Assistant Director of the Division of Bank Operations  
 Mr. Townsend, Assistant General Counsel

Before this meeting there had been sent to each member of the Board a copy of a memorandum prepared by Mr. Szymczak under date of September 8 pursuant to the understanding reached at the meeting of the Board on July 18, 1947. After outlining the present organization of the Federal Reserve retirement system, the responsibility of the Board in connection with the operation of the system, and the investment policies of the system, the memorandum suggested that (1) each year the Board's representative on the board of trustees present a brief summary of the annual report of the retirement system to the Board or a committee thereof and make reports on current developments from time to time when there is occasion therefor, (2) the Board's

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representative on the board of trustees be changed every three years, and (3) the Board should not undertake to formulate, approve, or disapprove the policies followed by the board of trustees or any committee thereof except as provided by the rules and regulations and when other action was called for the Board should instruct its representative to present its views to the board of trustees or the executive committee for discussion. Attached to the memorandum was a statement prepared by Mr. Van Fossen reviewing the investment policies of the retirement system since its organization and a statement prepared by Mr. Vest discussing certain questions relating to the retirement system including the responsibility of the Board in connection with the operation of the system.

There was a discussion of the present organization and of the changes which had taken place since the system was established and of the extent of the Board's responsibility for the administration of the system and its funds. Reference was made to the fact that in 1943 the system, which was originally on a 4% basis, was changed to a 3% basis at which time very substantial amounts were contributed by the Banks and the Board to make up a deficit in earnings. It was the consensus of the members present that there would be some obligation on the part of the Board and the Federal Reserve Banks to make further contributions to make up deficiencies in earnings if the system continued to earn less than three per cent and that approval of such contributions could be justified only if it could be demonstrated that

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effective investment policies had been followed and the earnings of the funds still fell below the amount required to meet the system's obligations.

Mr. Evans raised the question whether it would be desirable to place the administration of the funds in an insurance company and it was agreed that because of the high administrative cost and lower benefits that would result from such a course it would not be a desirable one.

Reference was made to the arrangement under which the Northern Trust Company of Chicago was being paid  $3/4$  of one per cent of the total income of the retirement fund for managing the fund and making purchases and sales of securities including Government securities. Chairman Eccles stated that he felt that these functions should be performed by the Federal Reserve Bank of New York as agent for the fund and that the arrangement with the Northern Trust Company should be terminated immediately.

In connection with this suggestion there was a discussion of the present membership of the investment committee of the retirement system and Chairman Eccles proposed that the members of the Federal Open Market Committee should constitute the investment committee. The reason for this suggestion was that the transactions for the System open market account were undertaken for the purpose of stabilizing the market and bonds were purchased usually when the market was weak and prices had declined and were sold when the market

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was advancing and prices were at an increased level. He felt that investments of the retirement system could be made on the same basis and the greatest possible returns would be derived from such a policy. In any event, he felt that full advantage should be taken of the knowledge of the Federal Open Market Committee with respect to possible future rates on Government securities and other investments and that this had not been done in connection with investments that had been made in the past.

In the discussion of this point it was suggested that, while the total purchases and sales of securities for the retirement system was insignificant when compared to the volume of transactions for the System open market account, the Federal Open Market Committee should not be placed in a position where it could be charged that its responsibilities for open market policies, which were formulated without regard to earnings from securities purchased, were inconsistent with its responsibilities for the investment of funds of the retirement system which should be invested in such manner as to give the highest returns consistent with safety. All of the members present concurred in this suggestion with the further thought that the objectives of a sound investment policy could be achieved if the management of the retirement fund and the purchase and sale of securities for the retirement system were placed with the Federal Reserve Bank of New York as agent for the retirement system.

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It was felt that as agent the New York Bank could advise with respect to purchases and sales much as it does at the present time in connection with the investment of Government trust accounts and other funds.

Chairman Eccles expressed the opinion that there should be no further investment of retirement funds in common stocks. He pointed out that it was inconsistent with the status of the Federal Reserve Banks and the Board as agencies of the Government to acquire shares in the ownership of private corporations. He stated that funds of the Civil Service Retirement System and other trust funds held by the Government were invested only in securities of the United States and that he would much prefer to follow a similar policy with respect to the funds of the Federal Reserve retirement system than to follow the policy that had been in effect in the past. He felt, however, that in addition to Government securities retirement funds might also be invested in FHA mortgages which were guaranteed by a Government agency and in securities of the International Bank for Reconstruction and Development.

At the conclusion of the discussion it was voted unanimously that Mr. Szymczak should give further consideration to the matter in the light of the discussion at this meeting and submit a further recommendation with respect to the management of funds of the retirement system. In taking this action it was understood that Mr. Szymczak's recommendation would be submitted in time for discussion at the meeting of the Board on Friday, November 14,

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1947, and that at the same meeting consideration would also be given to the recommendations contained in his memorandum of September 8 with respect to (1) reports to the Board with respect to the activities of the retirement system and (2) changing the Board's representative on the board of trustees.

There was then presented a draft of letter to Mr. Carstarphen, Secretary of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board approves the payment by the Federal Reserve Bank of St. Louis to the Federal Reserve Retirement System of approximately \$8918.81 in behalf of Mr. Chester C. Davis in order that he may receive retirement credit for his service with the Board of Governors in accordance with your letter of October 23, 1947. The Board also approves the payment of not to exceed approximately \$1306.20 to the Retirement System in order that any contributions made by Mr. Davis covering his Board service be treated on a 4 per cent interest basis."

It was the view of the members of the Board that if Mr. Davis had continued as a member of the Board he would now be entitled to benefit under the Civil Service Retirement System not only for his service as a member of the Board but for his prior Government service as well and that, therefore, the additional payments to the retirement system on his behalf as proposed by the Federal Reserve Bank of St. Louis were entirely justified.

Thereupon the letter to Mr. Carstarphen was approved by unanimous vote.

Reference was made to a draft of letter to Mr. Julian Baird, President of the Association of Reserve City Bankers, which had been

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prepared in accordance with the agreement reached at the meeting of the Board on October 21, 1947, and which read as follows:

"I was pleased to receive your letter of October 17, 1947, with respect to the adoption by the System of an arrangement for reimbursement of member banks for transportation costs on cash items sent direct to the Federal Reserve Bank or Branch of the territory in which the items are payable. I took occasion to read your letter at a meeting of the Board and all of the members were glad to know the conclusion of your directors that the action of the System would not cause any important dislocation of existing interbank relationships and that it had the merit of speeding up transit facilities in some instances as well as benefiting the banks which accept reimbursement. That conclusion was essentially the view of the Board when it approved the arrangement, and when the matter was discussed by the Federal Advisory Council at its meeting in September a majority of the members felt that the action was not one of significance.

"The Board appreciates very much your cooperative suggestion that, if the Board is contemplating further changes in check collection procedures, a useful purpose might be served by informal discussions by representatives of Mr. Aishton's Committee with members of the Board or its staff. At its September meeting the Federal Advisory Council made a similar suggestion stating that it believed that it would be advantageous in the future for the Board, before taking action, to discuss with the Council matters which might affect bank relationships. From time to time in the past when the question of advance notice or discussion of contemplated Board actions has been raised, we have advised the Federal Advisory Council, as the statutory body representing the banks, that the Board welcomed comments and suggestions from the Council and from banks generally, and that the Board would be glad to discuss a proposed action with the Council whenever the matter was important or of a character that it would be consistent with the responsibilities of the Board to do so. The Board believes that this is a desirable arrangement and has asked me to assure you that it will be followed in connection with any future actions in which the Council and the banks may be interested. The



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"Board will be glad also to receive, either directly or through the Council, most of the members of which are members of your Association, any comments or suggestions that your Association might wish to present for consideration.

"With respect to further changes in the Federal Reserve check collection system, the Board believes that the Federal Reserve System has been given a responsibility to maintain a system for the collection of checks which will provide the best possible service to commerce, industry, and agriculture and improve the services to member banks thereby making membership in the System more attractive. Therefore, the Board has continuously under consideration the question of changes that might be made to accomplish this objective. I can assure you, however, that while consideration for improved service to commerce, industry, and agriculture must remain of first importance, no such changes would be made without taking fully into account the effects that they might have on bank relationships.

"The Board of Governors is pleased to know that your Association is accumulating and studying factual material on transit procedures, including the effect of various changes. Since, as you state, the membership of your Association is composed of policy-making executives of banks in reserve cities, these studies can be made from the standpoint of top management policy and provide your Association with a reappraisal of what would be in the best interests of the banks. The Board will be glad to be of any assistance it can in furthering these studies and, if you or Mr. Aishton should so desire, to have the appropriate members of our staff confer with his Committee.

"In view of the interest of the Federal Advisory Council in this matter the Board is taking the liberty of sending a copy of your letter and of this reply to the members of the Council.

"Assuring you of our appreciation of the helpful spirit in which your letter was written, and with kindest regards, I am,"

Approved unanimously.

Mr. Evans recommended that in addition to the further consideration to be given by the Federal Advisory Council at its meeting



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in Washington on November 16-18, 1947, to S. 408, the industrial loan bill, the Council be asked to discuss the following matters:

- "1. The Board is very much concerned about the rapid expansion of bank credit. The Board therefore desires to have the views of the Council as to the further steps that might be taken to correct this serious situation through monetary or fiscal means.
- "2. There is an obligation resting upon the Federal Reserve System constantly to improve and expedite check collection processes for the benefit of industry, agriculture and commerce. A constructive move in this direction is indicated in recent correspondence between the President of the Reserve City Bankers Association and the Chairman of the Board of Governors, copies of which are attached. The Board would appreciate an expression of the views of the Council as to how best to promote and advance the modernization and maximum development of the check collection system."

Approved unanimously.

Under date of October 15, 1947, Mr. Young, President of the Federal Reserve Bank of Chicago, wrote a letter to Chairman Eccles in which he stated that it appeared that all of the member banks in Grand Rapids, Michigan, would now agree to the discontinuance of that city as a reserve city. The letter had been placed on the agenda for this meeting for the purpose of considering whether the city's designation should be terminated prior to the adoption by the Board as of January 1, 1948, of the formula for the designation of reserve cities which had been published by the Board in the Federal Register. The reasons that might be advanced for and against such action were dis-

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cussed and it was the consensus of the members of the Board that no action looking to the submission of a request by the member banks in Grand Rapids that its reserve city designation be terminated prior to January 1, 1947, should be initiated at this time.

Mr. Clayton stated that when Mr. Earhart, President of the Federal Reserve Bank of San Francisco, was in Washington at the time of the last Presidents' Conference, he presented informally preliminary architect's drawings of four different treatments for the proposed Seattle Branch building for the purpose of obtaining the views of the Board as to the general design of the building before presenting the plans to the board of directors of the Federal Reserve Bank of San Francisco. Mr. Clayton said that Mr. Earhart was anxious to proceed with the final plans and specifications for the building and would like to have whatever comments the Board might wish to make.

In the ensuing discussion it was brought out that at this point the question with respect to the Seattle building was not one of cost or efficient arrangement of the building but of the general design and outside treatment of the structure. In that connection it was stated that the design which apparently was preferred by the architects contemplated a building with set-backs and a substantial amount of planting which would make the building more or less conspicuous surrounded as it would be by other office buildings which were built right up to the sidewalk.

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After discussion, it was voted unanimously that Mr. Farhart be advised informally that, while there was a question whether the plans should call for a building with set-backs and substantial planting in view of the character of other surrounding buildings, if the directors of the branch and of the San Francisco Bank felt that such a design was proper and the building met requirements as to cost, utility, and arrangement, the Board would not object to the design selected by the directors.

Thereupon the meeting recessed and reconvened at 2:50 p.m. with the same attendance as at the morning session except that Messrs. Smead and Van Fossen were not present.

Before this meeting there had been circulated among the members of the Board a memorandum dated October 23, 1947, submitted by the Personnel Committee pursuant to the understanding reached at the meeting of the Board on October 17, 1947. The memorandum recommended for the reasons outlined therein that effective November 1, 1947, paragraph 3 of the Board's travel regulations, which provided a per diem of \$7.00 for employees of the Board other than officers while in a travel status be increased to \$8.00.

During the discussion of the recommendation Mr. Nelson stated that the per diem permitted by the Board's regulations was somewhat different from that provided in the Government regulations in that the former included in transportation rather than in the per diem allowance tips to baggage men and hotel, Pullman, and cabin porters

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for services rendered in connection with sleeping and Pullman accommodations and with baggage.

It was the feeling of the members of the Board that the regular per diem allowance provided in the Board's travel regulations should contain the same items as are provided in the Government regulations and it was voted unanimously to amend the Board's travel regulations, effective November 1, 1947, to make this change and to provide a per diem of \$8.00 for employees of the Board while in a travel status.

Chairman Eccles stated that he had been discussing with the Legal Division the status of the bank holding company bill and possible responsibility resting on the Board under existing law for action to prevent further expansion of Transamerica Corporation interests because of the monopolistic aspects of such expansion. He said that recently Mr. L. M. Giannini, Director of Transamerica Corporation and President of Bank of America National Trust & Savings Association, met with Secretary of the Treasury Snyder, Under Secretary of the Treasury Wiggins, and Comptroller of the Currency Delano, and, while it was not known what had transpired during the meeting, it might have been concerned with the conversion into branches of banks which had been acquired by Transamerica interests and that if such conversions should take place it would make much more difficult any future action which might be taken to require the Corporation to divest itself of the independent banking institutions which it had

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acquired. In these circumstances, he said, he had asked the Legal Division to prepare a statement analyzing the situation and what the responsibility of the Board was from the standpoint of the existing provisions of the law and that Mr. Townsend had submitted the following memorandum under date of October 31, 1947:

"This memorandum is submitted in response to Chairman Eccles' recent request that I prepare for Board consideration a brief analysis of the over-all Transamerica situation, together with any suggestions which I may have for dealing with the problem.

"Statistically, the situation is this: As of December 31, 1946, Transamerica controlled 41 banks having 578 branches with deposits of \$6,585,000,000 and served 379 towns. Its total banking offices comprised 40 per cent of all the banking offices in the five-State area of Arizona, California, Nevada, Oregon and Washington. Its deposits comprised 38 per cent of all the deposits in that area. These percentages would be considerably higher if we eliminated the States of Arizona and Washington, where the Transamerica controlled banking offices and deposits are relatively small.

"This situation may be compared with that which existed in 1933 when Transamerica controlled only 7 banks having 429 branches with deposits of \$878,861,000 and served 242 towns. Since that time Transamerica has acquired 56 independent banks by direct purchase, and 73 more by absorption into its various controlled banks. In addition, it has received permission to establish 79 de novo branches.

"The fact of this startling increase in banking offices and controlled deposits is not surprising, for the expansion policy of the Transamerica management has been common knowledge among the bank supervisory agencies for many years. Indeed, there seems to have been a period between 1939 and 1944 when those agencies were united in their opinion that Transamerica should be discouraged by every means from continuing such expansion. That no effective method has yet been devised for preventing this

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"expansion may, however, be surprising to those who realize the extent to which it has caused genuine alarm among the banking agencies over this period.

"We have been aware, of course, that the Antitrust Division of the Justice Department has had the Transamerica situation under review for some time. In fact the Board supplied much of the background material for this investigation. However, indications give little promise that any action will be taken by Justice in the near future. Almost two years ago we were advised by the Attorney General that his Department felt that, while its investigation had developed a good statistical case of monopoly against Transamerica, nevertheless it was felt that there was insufficient provable evidence of abuse of power to justify commencement of such an action at that time. Later on, following the decision of the Supreme Court in the American Tobacco Case the Chairman wrote the Attorney General and inquired if his Department had considered whether the decision in that case might not have eliminated proof of abuse of power as an indispensable element of proof in such a case as the one against Transamerica appeared to be. In reply the Attorney General advised that the Department was studying the matter and later advised that he had requested the Secretary of the Treasury to consider the entire matter and to advise him of his views. Immediately upon receipt of this information the Chairman wrote the Secretary asking that he expedite action upon the Attorney General's request. That, I believe, is the last that has been heard in the matter.

"Meanwhile, the Transamerica banking acquisitions have been proceeding apace. In 1945 it bought 5 banks having deposits of 44 million. In 1946 it bought 5 banks with deposits of 31 millions. Already in 1947 it has acquired 3 banks with deposits of 15 millions. In addition, in 1945 two de novo branches of the Transamerica banks were established with the approval of the Comptroller. Last year 7 approvals were obtained and, since the first of this year, the Comptroller has granted 10 such approvals. The likelihood that bank holding company legislation might shortly be passed no doubt has accelerated the Transamerica expansion program. In fact it now appears to be racing against time. (Incidentally, it is understood that the Transamerica acquisition of shares



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"of the Citizens of Los Angeles has been stepped up to a considerable degree during the year.)

"In the light of this over-all situation there are a number of pertinent considerations which the Board might wish to discuss.

"The first is that the proposed bank holding company legislation does not purport to deal with banks which a bank holding company already owns, except, of course, in a supervisory manner. Hence that legislation, if passed, will not help solve the problem of whether or not Transamerica should be permitted to keep all of the banks which it now owns.

"The second is that any ultimate official action looking to the divorcement of Transamerica from some or all of its non-branched institutions might well be prevented if Transamerica should obtain approval to branch them. The Board has known for some time that Transamerica had made application to branch most if not all of these banks.

"A third consideration is that the Comptroller, in passing upon such applications, might not feel justified in refusing them solely on the ground that the Transamerica banking empire is already too large, particularly as the Attorney General has failed to take action against Transamerica on that ground and the Board has asserted no official position or interest in the matter.

"The questions which these considerations pose, therefore, are whether the Board now possesses any power for dealing with the monopolistic aspects of this situation, and, if so, what steps are necessary to be taken in order for it to exercise such power.

"The answer to the first question is that the Board does have the direct power as well as the duty to carry out certain aspects of the national policy against restraint of trade and monopolies. Under Section 11 of the Clayton Act the Board is authorized to require a company to divest itself of the stocks of any banks which that company might have acquired if the Board finds, after hearing, that the effect of such acquisitions may be to substantially lessen competition between the banks so acquired and those already owned by such company, or if such acquisitions tend to create a banking monopoly.

"It is true, of course, that the Board has never exercised the power just referred to, notwithstanding the fact that it has been on the statute books since



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"the passage of the Clayton Act in 1914. Nevertheless, there can be no doubt that Congress intended the Board to have primary responsibility for enforcing this phase of national policy in the banking field. That the Department of Justice shares this view is attested by the fact that only recently a representative from that Department discussed with the writer the extent to which the Board had considered this responsibility in relation to a somewhat substantial banking acquisition which occurred in the Philadelphia District.

"Whether the Board should commence a Clayton Act proceeding against Transamerica is, of course, basically a matter of policy for Board determination. Before it can decide that question, however, it must first determine the facts known to be provable in such a proceeding, and decide whether those facts constitute just cause for issuing the complaint. As the Board is aware, it does not possess the power of subpoena -- hence, in considering this question the fact must be faced that all evidence necessary to establish a case would have to be produced without resort to compulsory process. Examination of the voluminous files and reports of the Board, together with an appraisal of such voluntary testimony as may be available both here and in the West, would in the writer's judgment consume a period from two to three months. However, when it is considered that the Board has repeatedly stressed, both before the Attorney General and the Congress, that the size of the Transamerica banking group has assumed dangerous if not monopolistic proportions, it is the writer's view that the Board should exhaust the full reach of its powers for dealing with the problem. It is my recommendation that the Board direct such an investigation to be undertaken."

In amplifying the comments contained in his memorandum, Mr. Townsend stated that it appeared that all of the facts needed to enable the Board to decide whether it should institute a proceeding against Transamerica Corporation to determine whether it should be required to divest itself of the stock of banks were already in

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the files of the Board and the Federal Reserve Bank of San Francisco. He also discussed briefly the procedure that would be followed in issuing a complaint and holding a hearing as a basis for such a determination and the considerations that would enter into the decision to institute the proceeding and carry it forward.

During the course of a discussion it was stated that, assuming that the recommended investigation was undertaken, action should also be taken designed to forestall approval of the many applications for branches which the Transamerica organization was pressing upon the Comptroller of the Currency. It was felt that this might be accomplished by an official letter from the Board to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Attorney General informing them that the Board was conducting an investigation to determine whether it was necessary in the public interest to commence Clayton Act proceedings against Transamerica Corporation which, if instituted, would result in that company being required to divest itself of stock of many of its controlled banks. It was the thought that upon receipt of such a communication, the Comptroller of the Currency would hesitate to grant further branch applications until such time as the Board's investigation had resulted in a decision one way or the other.

Chairman Eccles stated that in view of the opinions expressed

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in Mr. Townsend's memorandum with respect to the responsibility of the Board, he felt that the investigation recommended in the memorandum should be authorized and that the proposed letters to the Comptroller of the Currency, the Federal Deposit Insurance Corporation, and the Attorney General should be sent.

By unanimous vote of the members present, the Legal Division was directed to make the investigation recommended in Mr. Townsend's memorandum. In taking this action it was understood that appropriate letters would be sent over the Chairman's signature to the Attorney General, the Comptroller of the Currency, and the Chairman of the Federal Deposit Insurance Corporation advising them of the Board's action and that, if he should so desire, Chairman Eccles would be at liberty to discuss the matter informally with Under Secretary of the Treasury Wiggins.

There were presented telegrams to the Federal Reserve Banks of New York, Chicago, St. Louis, and San Francisco stating that the Board approved the establishment without change by the Federal Reserve Bank of Chicago on October 25, by the Federal Reserve Bank of St. Louis on October 29, by the Federal Reserve Banks of New York and Chicago on October 30, 1947, and by the Federal Reserve Bank of San Francisco today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

At this point Messrs. Vest, Leonard, Nelson, and Townsend

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withdrew and the action stated with respect to each of the matters hereinafter set forth was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on October 29, 1947, were approved unanimously.

Memorandum dated October 22, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending, pursuant to the action taken at the meeting of the Board on October 3, 1947, that Chandler Morse and Richard A. Musgrave be appointed as Consultants in that Division with compensation at the rate of \$30 per day for each day of work for the Board, either in Washington or outside that city, and that they receive traveling expenses in accordance with the Board's travel regulations applicable to an Assistant Director of a Division, including per diem in lieu of subsistence of \$8 per day, to be effective in the case of Mr. Morse upon approval by the Board and in the case of Mr. Musgrave at the expiration of his terminal leave. The memorandum also stated that it would be understood (1) that these appointments would not be continued beyond the end of 1948, and if they were still on the list of consultants at that time the question of their retention would be raised in connection with the annual budget, and (2) that it was assumed that Mr. Morse and Mr. Musgrave would receive retirement service credit in connection with their consultant work if such

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credit should be applicable in their individual cases.

Approved unanimously.

Memorandum dated October 27, 1947, from Mr. Leonard, Director of the Division of Examinations, recommending an increase in the basic salaries of Miss Ruth Morris and Miss Margaret Jenkins, Stenographers in that Division, from \$2,394 to \$2,469.24 per annum, effective November 2, 1947.

Approved unanimously.

Letter to the board of directors of "The First State Bank, Gould, Oklahoma", 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 Kansas City.

Approved unanimously, together with a letter to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of The First State Bank, Gould, Oklahoma, Gould, Oklahoma, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the board of directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Bank Commissioner for the State of Oklahoma, for his information.

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"It is noted that assurance has been received that the balance on deposit with a nonmember bank in excess of 10 per cent of the applicant's capital and surplus will be reduced to a conforming amount on or before completion of membership."

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

"Reference is made to your letter of October 24, 1947, submitting the request of the Security Trust Company, Lexington, Kentucky, for permission, under the provisions of condition of membership numbered 2 to which the bank is subject, to change the general character of its business by amending its charter to permit the conduct of a commercial banking business.

"In view of your recommendation, the Board of Governors approves the proposed change in the corporate powers exercised by the Security Trust Company, Lexington, Kentucky, provided the bank's charter is amended substantially as proposed and approved by appropriate State authorities, and with the understanding that the counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken in the matter."

Approved unanimously.

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

"Reference is made to your letter of October 27, 1947, submitting a certified copy of the resolution adopted by the board of directors of the Commercial State Bank, Sinton, Texas, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice usually required.

"In view of your recommendation the Board of Governors waives the usual requirement of six months' notice. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Commercial State Bank,

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"the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon.

"It is noted that the bank wishes termination of its membership to coincide with its acceptance for insurance by the FDIC. The bank will have four months from the date of this letter to accomplish termination of its membership (F. R. L. S. #3548).

"Please advise the Board of Governors when cancellation is effected and refund is made. The Certificate of Membership issued to the bank should also be obtained, if possible, and forwarded to the Board. The State banking authorities should be advised promptly when the bank's withdrawal from membership has been effected and given the reasons therefor, if desired."

Approved unanimously.

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

"In view of the recommendation contained in your letter of October 24, 1947, the Board of Governors extends until May 15, 1948, the time within which the American Trust Company, San Francisco, California, may establish the branch in Sunnyvale, California, as approved by the Board under date of June 16, 1947."

Approved unanimously.

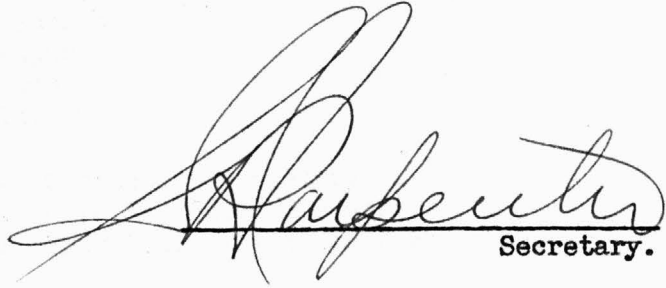
Memorandum dated October 29, 1947, from Mr. Bethea, Director of the Division of Administrative Services, recommending, for the reasons stated in the memorandum, that the practice of charging cafeteria operations with the items of telephone service, electric light and power, and steam be discontinued at the close of December 31, 1947, and that thereafter such expenses be provided for in the budget of the Division of Administrative Services.



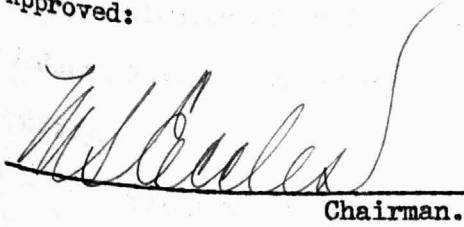
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Approved unanimously.

  
Secretary.

Approved:

  
Chairman.