Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, December 11, 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
Mr. Thurston, Assistant to the Chairman

Minutes of actions taken by the Board of Governors of the Federal Reserve System on December 10, 1947, were approved unanimously.

Memorandum dated December 3, 1947, from Mr. Thomas, Director of the Division of Research and Statistics, recommending the appointment of Robert Solomon as an economist in that Division, on a temporary indefinite basis, with basic salary at the rate of $3,397.20 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum also stated that it was contemplated that Mr. Solomon would become a member of the Federal Reserve retirement system.

Approved unanimously.

Memorandum dated December 5, 1947, from Mr. Bethea, Director of the Division of Administrative Services, stating that
Wilson T. Fletcher, foreman operator (mimeograph) in that Division, had attained retirement age of 65 on August 15, 1947, and would retire effective December 31, 1947. The memorandum also stated that Fletcher was the last employee on the Board's rolls who served with the Organization Committee.

Noted.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"In accordance with the request contained in your letter of November 26, 1947, the Board approves the appointment of Douglas T. Hughes as an assistant examiner for the Federal Reserve Bank of Richmond. If the appointment is not made effective January 1, 1948, as planned, please advise us."

Approved unanimously.

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

"In accordance with the request contained in your letter of December 4, 1947, the Board approves the appointment of J. L. Hardin, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Atlanta. If the appointment is not made effective January 1, 1948, as planned, please advise us.

"Advice will be appreciated also as to any change in salary rate."

Approved unanimously.

Letter to Mr. DeMoss, Vice President of the Federal Reserve Bank of Dallas, reading as follows:
In accordance with the request contained in your letter of December 4, 1947, the Board approves the appointment of Travis Whitsett Bain, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Dallas. Please advise us of the date upon which the appointment becomes effective.

Approved unanimously.

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

"Reference is made to your letter of December 2, 1947, submitting certified copies of resolutions adopted by the Board of Directors of the Bank of Chestnut, Chestnut, Illinois, 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 the Reserve Bank's favorable recommendation, the Board of Governors waives the usual requirement of six months' notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Bank of Chestnut, Chestnut, Illinois, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. It is noted the bank wishes the termination of its membership to coincide with its acceptance for insurance by the F. D. I. C., and that the supervising examiner of that Corporation has advised you that his office has been contacted in order that the bank may apply for continuance of insurance. When formal application for continuance of insurance is made, 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 effective 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 the board of directors of the "Monroe State Bank", Monroe, Utah, 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 and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco.

Approved unanimously, together with a letter to Mr. Earhart, President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Monroe State Bank, Monroe, Utah, 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 Utah for his information.

"It is noted that, with respect to savings deposits, the examiner's comments on page 16 of the report of examination are not clear as to whether the bank reserves the right to require 30 days' written notice before withdrawal in all cases, since it is stated that $100 may be withdrawn without notice. It is suggested that you advise the bank that the reservation of the right to require at least 30 days' written notice before withdrawal of savings deposits is necessary in all cases in order to conform with the requirements of the Board's regulations."

An application had been received under date of October 15, 1947, from "The Chase National Bank of the City of New York", New York, New York, requesting approval of the Board to establish and maintain in Stuttgart, Germany, a branch of "The Chase National
Bank of the City of New York", and a letter had been received under date of October 17, 1947, from Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, recommending that the application be approved. The Board had also been advised by the Department of the Army on December 9, 1947, by the Office of the Comptroller of the Currency on October 28, 1947, and by the Department of State informally on October 23, 1947, that those departments had no objection to the establishment of the proposed branch.

The following order was adopted by unanimous vote:

"ORDER

WHEREAS The Chase National Bank of the City of New York has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish a branch at Stuttgart, Germany; and

WHEREAS it appears that the said bank may properly be authorized to establish a branch at Stuttgart, Germany;

NOW, THEREFORE, The Chase National Bank of the City of New York is authorized to establish a branch at Stuttgart, Germany and to operate and maintain it subject to the provisions of section 25 of the Federal Reserve Act, upon condition that unless the branch is actually established and opened for business on or before December 1, 1948, all rights hereby granted as to such branch shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date.
Dated: December 11, 1947"

In connection with the above matter, the following letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York was also approved unanimously:

[Letter content not transcribed]
"Enclosed is a certified copy of an order of the Board of Governors authorizing The Chase National Bank of the City of New York to establish a branch at Stuttgart, Germany, which you will please deliver to the bank. A copy of the order is enclosed for your files.

"Please ask the bank to note that the authority to establish the branch will automatically terminate on December 1, 1948, if the branch is not actually established and opened for business on or before that date, and request the bank to advise the Board in writing through the Federal Reserve Bank of New York when the branch is so established and opened for business."

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the First State Bank of Greggton, Greggton, Texas, became a member of the Federal Reserve System on December 6, 1947, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.
Letter to Mr. Latham, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of December 4, 1947, submitting the request of the Springfield Safe Deposit and Trust Company, Springfield, Massachusetts, for approval of the establishment of a branch in East Longmeadow, Massachusetts.

"It is noted that the establishment of the proposed branch has been approved by the appropriate State authorities and in view of your recommendation, the Board of Governors approves the establishment and operation of a branch in East Longmeadow, Massachusetts, by the Springfield Safe Deposit and Trust Company, Springfield, Massachusetts, provided such branch is established within six months after date of this letter and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.

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

"The Board of Governors of the Federal Reserve System has considered the recommendation contained in your letter of November 28 and, pursuant to the provisions of Section 19 of the Federal Reserve Act, grants permission to The First National Bank of Handley, Fort Worth, Texas, to maintain the same reserves against deposits as are required to be maintained by banks outside central reserve and reserve cities, effective with the first semi-monthly reserve computation period beginning after the date of this letter.

"Please advise the bank of the Board's action in this matter, calling its attention to the fact that such permission is subject to revocation by the Board of Governors of the Federal Reserve System."

Approved unanimously.
Letter prepared for Chairman Eccles' signature to Mr. N. Leonard Jarvis, President, Association of Customers' Brokers, 24 Broad Street, New York 4, New York, reading as follows:

"This will serve as a reply to both your letter of November 15, 1947 addressed to me and your identical letter of the same date addressed to President Truman, which was referred to me for acknowledgment, in regard to margin requirements on security transactions.

"When the 75 per cent margin rule was established early this year, I stated that further action would depend upon 'the course of economic events'. Important among these, if a reduction in margin requirements were to be considered, would be a material decrease in the inflationary pressures afflicting the economy; inasmuch as these pressures have increased, rather than decreased, there is ample reason for not reducing the present requirements.

"Margin requirements in connection with security transactions and those in the grain futures markets, to which you refer, are not comparable. They serve different purposes, and it is argued by many people that they are justifiably lower in the grain futures market because the grain markets could not perform their hedging function without some speculation. Even so, as you know, there is considerable opinion to the effect that, in the present inflationary situation, an increase in the margins on grain futures would be in the public interest. So also I may add, for obvious reasons, higher down payments and less extension of credit in real estate transactions under existing conditions would be justified.

"These are matters, however, for which the Board is not charged with statutory responsibility, but for security margins such is not the case. The Securities Exchange Act of 1934 placed a legal obligation upon the Board to prevent the excessive use of credit in the securities markets and, in doing so, to take the responsibility of deciding in the light of circumstances prevailing from time to time what constitutes excessive use of credit. We do not believe that it is necessary or that it would be in the public interest to add to the availability of credit in these markets at this time."
"Your letter and your recent talk, of which you enclosed a reprint, indicate the point of view that the Board's margin requirements should be low, on the ground that extensions of credit are amply protected by ready marketability of the collateral. This evidences a misunderstanding or misconception of the purpose of the statute, which was not primarily for the purpose of protecting the creditor, who has the means of taking care of himself, but rather for the purpose of protecting the national economy."

Approved unanimously.

[Signature]
Secretary.

Approved:

[Signature]
Chairman.