

1/8/48 Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, January 8, 1948.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 6, 1948, were approved unanimously.

Memorandum dated January 2, 1948, from Mr. Leonard, Director of the Division of Examinations, recommending increases in the basic annual salaries of the following employees in that Division, effective January 11, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
A. N. Thompson	Federal Reserve Examiner	\$6,623.40	\$7,102.20
George E. Good	Federal Reserve Examiner	5,905.20	6,144.60
Willis G. Brown	Federal Reserve Examiner	5,403.60	5,654.40
Robert W. Cooke	Asst. Federal Reserve Examiner	5,152.80	5,278.20
Kenneth A. Kenyon	Asst. Federal Reserve Examiner	4,400.40	4,651.20
R. J. Schoenhoff	Asst. Federal Reserve Examiner	4,149.60	4,400.40

Approved unanimously.

Memorandum dated January 5, 1948, from Mr. Bethea, Director

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of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective January 11, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Charles D. Clabaugh, Jr.	Guard	\$2,020.00	\$2,093.04
Fannie L. Mock	Elevator Operator	1,690.00	1,756.00

Approved unanimously.

Letter to Mr. Earnist McCook, Vice President, The American National Bank of San Bernardino, San Bernardino, California, reading as follows:

"This refers to your letter of December 20, 1947, to the Federal Reserve Bank of San Francisco, requesting a voting permit authorizing your bank to vote the stock of The American National Bank of Big Bear Lake, Big Bear Lake, California, which is held in your bank's Trust #231.

"The Board understands that your bank's Trust #231 was created by the execution of a declaration of trust by your bank for the purpose of enabling shareholders of your bank to purchase a portion of the stock of The American National Bank of Big Bear Lake, a newly organized bank, without the issuance of fractional shares; that, pursuant to the declaration of trust, certificates of beneficial interest were sold and the proceeds were used to purchase 270 of the 500 outstanding shares of stock of The American National Bank of Big Bear Lake; that, as trustee of Trust #231, your bank has no powers other than to hold and vote such stock, receive and distribute dividends on the stock, and distribute the stock to the holders of the certificates of beneficial interest upon the termination of the trust; that your bank does have the power to vote the stock free from any control by the holders of the certificates of beneficial interest or anyone else; and that your bank does not, directly or indirectly, own or control any stock of, or

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"manage or control, any banking institution other than The American National Bank of Big Bear Lake.

"Section 2(c) of the Banking Act of 1933, as amended, 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 * * *.

* * * *

'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.'

"Trust #231 does not appear to be a 'corporation, business trust, association, or other similar organization' within the meaning of the foregoing statutory provisions and, therefore, is not a holding company affiliate. Your bank, as a corporation which owns or controls a majority of the shares of stock of The American National Bank of Big Bear Lake, is a holding company affiliate of the latter bank. However, the Board has determined that your bank 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. Accordingly, your bank is a holding company affiliate only for the purposes of section 23A of the Federal Reserve Act, and it is not necessary for it to obtain a voting permit in order to vote the stock which it owns or controls of The American National Bank of Big Bear Lake. The Board reserves the right to make a further determination at any time on the basis of the then existing facts; and, if your bank should at any time own or control a substantial portion of the stock of, or manage or control, more than one banking institution, this matter should again be submitted to the Board for its determination."

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

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

"For some time it has been recognized that the System series on rates charged on loans to business borrowers by banks were defective in certain critical respects and that early steps should be taken to correct them. The System's survey of business loans made at the end of 1946 confirmed the nature and seriousness of these defects and also brought to light possible methods of remedy.

"For some months the Board's Division of Research and Statistics has been experimenting with these methods. They were discussed with the Committee on Current Reporting Series at its meeting on October 14 and 15 and again at the joint meeting of the System Research Advisory Committee and the Subcommittee of the Presidents' Conference Committee on Research and Statistics on October 28-30. The latter Committees unanimously urged the early completion of the exploratory work by the Board's staff so that plans for a revised series could be considered for recommendation as to System action in the near future.

"It is now desired that the research departments at the Reserve Banks consult with a few selected banks concerning the possibilities of using a revised reporting form for collecting information as to interest rates charged on loans to businesses. It is suggested that only a few banks, from those now supplying this information on a voluntary basis, be consulted. A copy of the suggested revised form, which at the present stage is tentative, should be discussed with each of these banks. We should like to know whether in the judgment of the banks consulted any serious difficulties would be encountered in supplying the information requested on the suggested new form and whether they would have any objection to substituting this form for the one now used. Copies of the present and the suggested revised form are attached for your information. We

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"are also enclosing a list of questions on which it would be helpful to get expressions of opinion.

"You will note that the suggested new form is laid out as a worksheet on which the reporting bank would enter certain information about each loan made during a 15-day reporting period. These worksheet forms will provide the System with more information without increasing the amount of work required of the reporting bank. As a matter of fact, the new form simplifies reporting work of cooperating banks, since it relieves them of the burden of summing from informal worksheets the amounts of short-term and long-term loans made at each interest rate and of transcribing this information on report forms prior to submission to the Reserve Banks. No change is contemplated in the reporting periods, which at present are the first half of March, June, September, and December.

"Experimental analysis conducted by the Board's staff indicates that the information specified on the suggested revised form will permit the compilation of customer rate averages by size-of-loan classes. This will be a much more meaningful method of presenting customer rates on business loans made than that now employed.

"Further correspondence on this request should be carried on directly between the research departments of the Banks and the Board's Division of Research and Statistics."

Approved unanimously.

Memorandum dated January 6, 1948, from Mr. Leonard, Director of the Division of Examinations, recommending that a trust examiners' conference be called to meet at the Federal Reserve Bank of New York in February of this year, immediately preceding or following the Midwinter Trust Conference of the American Bankers Association.

Approved unanimously.

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

"The Board of Governors concurs in the action taken by the Presidents at their last Conference in recommending that functional expense reports, Form F. R. 634, be submitted quarterly on a non-cumulative basis beginning January 1, 1948, instead of monthly as at present. In accordance with the practice contemplated when monthly reports were submitted a report should also be submitted for the calendar year as a whole as promptly as practicable after the end of the calendar year.

"Advice has been received from the Treasury Department that for the time being it would like to have reports on Forms PD-2080, PD-2081, PD-2092, and PD-2095 submitted monthly."

Approved unanimously.

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

"Referring to your December 26, 1947, letter, the Board will interpose no objection to the expenditure of approximately \$32,000 for the fluorescent lighting and acoustical ceiling installation in the Pittsburgh Branch building as outlined in your letter."

Approved unanimously.

Letter dated January 7, 1948, to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This will acknowledge receipt of your letter of December 30, 1947, in which you furnished a detailed breakdown of the amounts provided in your budget, 1948, for the item 'Employee relations' under the Educational and Welfare unit. Referring

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"to the information furnished in your letter for the item 'Meetings, conferences, etc.,' under the Bank and Public Relations function, we would appreciate a detailed breakdown for that item also."

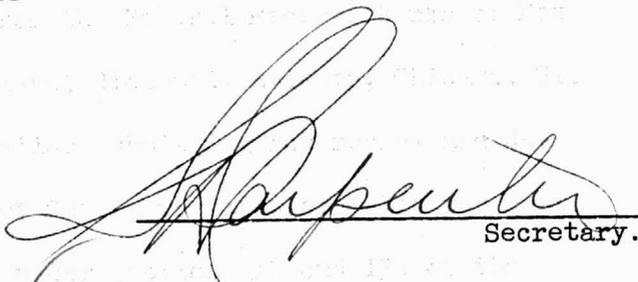
Approved unanimously.

Letter dated January 7, 1948, to Mr. Black, Cashier of the Federal Reserve Bank of Chicago, reading as follows:

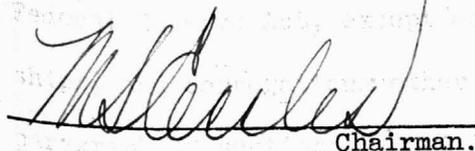
"This will acknowledge receipt of your letter of December 31, 1947, in which you advise that expenses in the last half of 1947 for certain functions at the Detroit Branch will exceed the budget estimates for that period by approximately the following amounts:

<u>Function</u>	<u>Amount</u>
Postage and expressage	\$ 4,880
Currency and coin	12,125
Accounting	2,410"

Approved unanimously.


Secretary.

Approved:


Chairman.