

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, March 11, 1948.

PRESENT: Mr. Eccles, Chairman pro tem.

Mr. Szymczak

Mr. Draper

Mr. Evans

Mr. Clayton

Mr. Carpenter, Secretary

Mr. Sherman, Assistant Secretary

Mr. Morrill, Special Adviser

Mr. Thurston, Assistant to the Board

Minutes of actions taken by the Board of Governors of the Federal Reserve System on March 10, 1948, were approved unanimously.

Memorandum dated March 10, 1948, from Mr. Leonard, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination, Elmer W. Lyster be appointed as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,773.40 per annum, and with official headquarters at Philadelphia, Pennsylvania. The memorandum also stated that Mr. Lyster was a member of the Federal Reserve retirement system.

By unanimous vote, Mr. Elmer W. Lyster was appointed an examiner to examine Federal Reserve Banks member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act

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and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Philadelphia, Pennsylvania, and with basic salary at the rate of \$3,773.40 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Memorandum dated March 10, 1948, from Mr. Leonard, Director of the Division of Examinations, recommending that the temporary appointment of James V. Fisler, an Assistant Federal Reserve Examiner in that Division who is on loan from the Federal Reserve Bank of Kansas City, be extended for a period not to exceed one year from April 1, 1948, and that the basic salary of Mr. Fisler be increased from \$3,397.20 to \$3,522.60 per annum, effective March 21, 1948.

Approved unanimously.

Memorandum dated March 10, 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 March 21, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>
		<u>From</u> <u>To</u>
Lawrence H. Bugg	Assistant Fed. Res. Examiner	\$3,271.80 \$3,397.20
Nancy R. Porter	Supervisor, Recording and Stenographic Section	3,146.40 3,271.80

Approved unanimously.

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Memorandum dated March 9, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending increases in the basic annual salaries of the following employees in that Division, effective March 21, 1948:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>
		From To
Arad B. Shipp	Gardener	\$2,544.48 \$2,694.96
Morris Mayhew	Gardener	2,544.48 2,619.72
Miriam P. Jasper	Clerk	2,469.24 2,544.48
Bricen Barnes	Operator (Dup. Dev.)	2,093.04 2,168.28
Clara Ray Cook	Charwoman	1,888.00 1,954.00
Evelyn M. Lewis	Elevator Operator	1,756.00 1,822.00

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 March 6, 1948, advising of certain delays which have been encountered by the Empire State Bank of Dallas, Dallas, Texas, in the rehabilitation of its banking quarters, and submitting the request of that institution for an extension of the time within which its membership may be completed.

"In view of your recommendation, the Board of Governors extends to July 1, 1948, the time within which the Empire State Bank of Dallas may accomplish membership."

Approved unanimously.

Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of February 9, 1948, regarding the interpretation of the provisions of section 6 of the Board's Regulation A relating to the

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"eligibility for discount of bankers' acceptances.

"We understand from your letter that the question presented is whether, when an unsecured banker's acceptance is offered for discount by a member bank other than the accepting bank, the Federal Reserve Bank must obtain satisfactory evidence of compliance on the part of the accepting bank with the requirement of the law that no member bank shall accept for one person drafts or bills exceeding 10 per cent of such bank's capital stock and surplus, unless the bank is secured either by attached documents or by some other actual security growing out of the same transaction as the acceptance. The question is prompted by the fact that subsection (b) of section 6 of Regulation A, relating to the eligibility of bankers' acceptances for discount, after describing the kinds of acceptances which may be discounted, contains a proviso to the effect that acceptances for any one customer in excess of 10 per cent of the capital and surplus of the accepting bank must remain actually secured throughout the life of the acceptance, and by the further fact that subsection (e) of the same section of the Regulation provides that a Federal Reserve Bank must be satisfied, either by reference to the acceptance itself or otherwise, that the acceptance is eligible for discount 'under the terms of the law and the provisions of this Regulation.'

"As pointed out in your letter, the applicable provisions of section 13 of the Federal Reserve Act authorize a Federal Reserve Bank to discount acceptances 'of the kinds hereinafter described', provided such acceptances meet the requirements as to maturity and are endorsed by at least one member bank; and it seems clear that the 'kinds' of acceptances referred to are those arising out of the importation or exportation of goods, domestic shipments of goods and storage of staples, and those designed to create dollar exchange, as subsequently described in section 13. It is believed, therefore, that the limitation contained in the seventh paragraph of section 13 with respect to the aggregate amount which a member bank may accept for one person, as well as the limitation on total acceptances, is not to be regarded as a requisite of eligibility for discount but as a statutory restriction upon the extent to which a member bank may engage in the acceptance business.

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"The substance of the proviso now contained at the end of subsection (b) of section 6 of Regulation A was first included in the Regulation in 1920, under a subsection headed 'General Conditions'. In a subsequent revision of the Regulation in 1924, this provision was incorporated in the subsection relating to eligibility. The proviso, however, should not be construed as relating to technical eligibility for discount, but is intended to call attention to the limitations placed by the law upon the right of member banks to make acceptances. A Federal Reserve Bank should not, of course, discount a banker's acceptance if the Reserve Bank has reason to know that the 10 per cent limitation has been exceeded by the accepting bank, as, for example, in a case in which the particular acceptance is unsecured and its amount is in excess of 10 per cent of the known capital and surplus of the accepting bank. However, as pointed out in your letter, it would be impracticable in most instances for the offering bank to submit evidence as to whether the accepting bank has complied with this limitation. To make such a requirement would unduly impair the marketability of bankers' acceptances and their availability for rediscount or purchase at the Federal Reserve Banks.

"For the reasons above indicated, subsection (e) of section 6 of Regulation A is not to be construed as requiring a Federal Reserve Bank to obtain affirmative evidence of compliance with the 10 per cent limitation by the accepting bank where an acceptance is offered for discount by a member bank other than the accepting bank."

Approved unanimously.

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

"This refers to your letter of February 17, 1948, and previous correspondence, relating to the holding company affiliate status of W. R. Reynolds & Company, Palm Beach, Florida.

"On April 4, 1940, the Board determined that W. R. Reynolds & Company, a corporation organized under the

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"laws of the State of Maine, was 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; and, accordingly, that corporation ceased to be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. We have learned recently, however, that that corporation no longer is in existence, having been merged, apparently in 1946, with a corporation of the same name organized under the laws of the State of Florida. Accordingly, the determination made in 1940 is not applicable to the present W. R. Reynolds & Company (the Florida corporation) and has no bearing upon its holding company affiliate status.

"The information submitted with your letter indicates that W. R. Reynolds & Company (the Florida corporation) has so reduced its holdings of bank stocks that it is not now a holding company affiliate of any of the Florida banks of which it formerly was a major shareholder. However, in order to avoid any future misunderstanding as to the effect of the 1940 determination, it will be appreciated if you will advise that corporation in accordance with the foregoing, pointing out that if it is at any time a holding company affiliate, it will have that status for all purposes unless it requests and obtains from the Board a determination similar to the one made with respect to the Maine corporation."

Approved unanimously.

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

"This will acknowledge receipt of your letter of February 14, 1948, and the accompanying memorandum from Mr. Turner dated February 13, 1948, with further reference to direct sendings of member banks where the volume of checks payable in the territory of another Federal Reserve Bank or Branch averages 300 or more items per day.

"We have noted what you have to say with respect to items payable in the southern parts of Illinois and Indiana located in the St. Louis District, and in the northern parts of Michigan and Wisconsin located in the

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"Minneapolis District, which you refer to as the 'tip ends' of your district. The suggestions made by you will have the consideration of the Board along with any similar questions that may be raised by other Federal Reserve Banks in connection with the request contained in the Board's letter of October 22, 1947, the effective date of which was postponed to July 1, 1948 by the Board's letter of December 16, 1947."

Approved unanimously.

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

"The technical study, 'Debits and Clearings Statistics, Their Background and Interpretation,' by George Garvy of the Federal Reserve Bank of New York, is now available for distribution. One copy of the pamphlet is being sent to you herewith, and we shall be glad to send you without charge such additional copies as you may request. One copy is also being sent to your Research Department but no copies are being sent direct to branches or directors of Federal Reserve Banks.

"The pamphlet will be furnished free upon request to Government departments, agencies, and establishments (foreign and domestic, including central banks); libraries and teachers at educational institutions; public libraries; and the press. For others the price will be 25 cents each up to ten copies and 15 cents each for ten or more copies in single shipment. It would be appreciated if you would inform your staff of this policy of distribution.

"As in the case of other publications, there will be a charge to member banks for copies ordered by them, but should you desire to distribute copies at your own expense to some of your member banks the Board will be glad to supply the necessary copies at the rates stated above as long as the stock lasts."

Approved unanimously.

Letter to the Honorable George C. Marshall, Secretary of State, Washington, D. C., reading as follows:

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"This is with reference to Mr. Paul F. McGuire's letter of February 25, 1948, in which it is requested that reference be made to FN 811.51645/1-2848. Mr. McGuire requests that information be supplied for forwarding to the American Embassy at New Delhi, India, giving 'an explanation of the circumstances in which, and the extent to which, New York State discriminates against banks of foreign countries.'

"In view of the request that the matter be kept with reasonable confidence, the State authorities of New York have not been consulted about the matter and this letter will be confined to a discussion of the apparent meaning of certain New York legislation without regard to possible administrative interpretations or applications of the statutes. Certain excerpts from the laws are attached.

"Under sections 26 and 200-202 of the New York Banking Law, foreign banks (including both those incorporated in States of the United States other than New York and those incorporated in foreign countries) may be licensed to engage in the State of New York in the business of 'buying, selling, paying or collecting bills of exchange, or of issuing letters of credit or of receiving money for transmission or transmitting the same by draft, check, cable or otherwise, or of making sterling or other loans, or any part of such business.' Section 131 of the New York Banking Law in effect prohibits any banking business in the State unless expressly authorized by the laws of the State. Since the authority for such foreign banks apparently does not extend to the receipt of deposits, it appears, therefore, that such banks may not do a general deposit business in the State.

"It appears from section 131 that foreign corporations may not exercise fiduciary powers in New York except in limited classes of cases, and then only if they are organized under the laws of other States of the United States as distinguished from the laws of foreign countries.

"As compared with the \$250,000 excess of assets over liabilities required of foreign banks, it may be of interest that the incorporation of a domestic bank or trust company requires capital stock of at least \$25,000, \$50,000 or \$100,000, depending on the population of the place where its principal office is to be located, and that if the corporation is to exercise fiduciary powers the requirements are

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"\$100,000, \$150,000, \$200,000 or \$500,000."

Approved unanimously.

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

"Your wire March 11. Board approves the making of
a loan or loans on gold by your Bank to Banco Central
del Ecuador on the terms and conditions specified in
your wire, as follows:

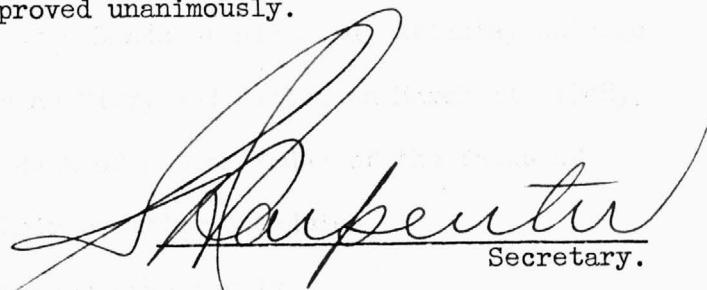
"(a) The amount to be advanced not to exceed
\$1,700,000 in the aggregate at any one time outstanding;
such loan or loans to be made up to 98 per cent
of the value of refined gold bars held in your vaults
as collateral;

"(b) Each such loan or renewal thereof to run for
90 days, but no loan or renewal thereof to mature later
than 180 days after the date of the first such loan;

"(c) Each such loan and any renewal thereof to
bear interest from the date such loan is made or re-
newed until paid, at the discount rate of your bank
in effect on the date on which such loan or renewal
is made.

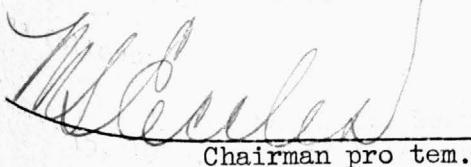
"It is understood that the usual participation
will be offered to the other Federal Reserve Banks."

Approved unanimously.



Harpenter
Secretary.

Approved:



McElderry
Chairman pro tem.