

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, April 22, 1948.

PRESENT: Mr. Eccles  
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 Board

Minutes of actions taken by the Board of Governors of the Federal Reserve System on April 21, 1948, were approved unanimously.

Letter to Mr. Whittemore, President of the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of April 15, 1948, and enclosures, presenting for the consideration of the Board the question of the applicability of exception numbered (5) of section 8 of the Clayton Act to the services of Mr. Donald R. Griswold as director of The Windsor Trust Company, Windsor, Connecticut, as a Vice President of The Connecticut River Banking Company, Hartford, Connecticut, and as Vice President of The Travelers Bank and Trust Company, Hartford, Connecticut, in the event The Windsor Trust Company becomes a member of the Federal Reserve System.

"The question, of course, is whether the corporate limits of the typical New England town should be disregarded in determining whether the communities in which the banks are located are 'contiguous or adjacent' within the meaning of the Clayton Act.

"The case which you present is analogous to the case involving The Colonial Trust Company, Waterbury, Connecticut, and The Watertown Trust Company, Watertown, Connecticut, referred to in your letter, as well as one or two other previous rulings of the Board.

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"In the circumstances, the Board sees no reason to differ from the conclusion reached by your Counsel that the community known as Windsor and the city of Hartford are not 'contiguous or adjacent' within the meaning of the Clayton Act."

Approved unanimously.

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

"This refers to your letter of March 30, 1948, submitting information in response to the Board's letter of January 27 with respect to four individuals whose services as directors of member banks in your district may fall within the provisions of section 32 of the Banking Act of 1933 and the Board's Regulation R.

"On the basis of the information which you have submitted concerning Mr. E. Webster Harrison as a partner of Harrison & Company, Cincinnati, Ohio, and Mr. Ceylon E. Hudson, Worcester, Ohio, the Board is of the opinion that they are not at the present time primarily engaged in the business described in section 32.

"The information submitted with respect to Mr. Robert Patterson, President of Hulman Realty Corporation, Dayton, Ohio, and Mr. Troy Kaichen, a member of the firm of Westheimer & Co., Cincinnati, Ohio, indicates that perhaps, on the basis of the Agnew-Fayerweather case, these firms may be primarily engaged in the business described in section 32.

"It appears that the Hulman Realty Corporation occasionally participates with selling groups in the distribution of securities and that it advertises its local participation in national syndicates. This of course is definitely the type of business described in section 32. Although it is stated that the dollar volume of underwriting and distributing engaged in by the firm is less than \$1,000,000 annually it is stated that the annual percentage ratio of such dollar volume to the dollar volume of the firm's total business is less than 25 per cent and that the annual gross income of the firm from underwriting and distributing is less

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"than 25 per cent of its total gross income. How much these ratios are under 25 per cent is not disclosed.

"In the case of Westheimer & Co. it is stated that the firm considers itself as being in the underwriting and distributing business and occasionally advertises this fact, and also that it does engage in underwriting situations but mainly as participants with large underwriting houses. In the list showing the underwriting and selling group figures for the past four years it is not clear whether the firm engaged in selling group situations during 1946 and 1947, since the list shows figures for underwriting only for these years. Although Mr. Kaichen states in his letter to you that the total underwriting done by his firm is possibly not more than 5 or 6 per cent of its volume, it is not clear whether such percentage is with respect to dollar volume of business or income or whether it includes distributing. Also none of the blanks in the first seven questions on the tabular form are filled in.

"Since it appears likely that these may be borderline cases, it will be appreciated if your bank will make a further effort to obtain as much of the information called for in the Board's letter of January 27 with respect to the two firms mentioned above as is possible. Also, in view of the apparent nature of the business of these firms it might be well to inquire specifically as to the extent they engage in secondary distributions."

Approved unanimously.

Letter to Mr. G. S. Waterhouse, President, Bishop National Bank at Honolulu, Honolulu 1, Hawaii, reading as follows:

"This refers to your letter of April 3, 1948, with enclosed memorandum, regarding the amendment recently offered to the Hawaii Statehood Bill, H. R. 49, which would have the effect of requiring every national bank in Hawaii to become a member of the Federal Reserve System and an insured bank within 90 days after the admission of the Territory of Hawaii as a State of the Union.

"The amendment in question was recommended by the Board of Governors to the Committee on Public Lands

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"(now the Committee on Interior and Insular Affairs) of the United States Senate after thorough consideration of the matter and after receipt of advice from the Federal Deposit Insurance Corporation and the Comptroller of the Currency that those agencies concurred in the Board's opinion that national banks in any Territory should be required to become members of the Federal Reserve System upon the admission of the Territory to statehood.

"As you know, the bill, H. R. 49, itself provides that, if it becomes a State, Hawaii shall be 'on an equal footing with the other States'; and it seems logical that this equality should exist with respect to membership of national banks in the Federal Reserve System. Under present law, national banks in the existing States of the Union are required to be members of the Federal Reserve System and to be insured banks. As such, they obtain certain advantages and are subject to certain statutory limitations and restrictions. In the Board's opinion, there is no sound reason why a national bank located in a new State of the Union should be on any different basis in these respects from national banks in other States.

"While it is recognized that your bank is at present the only national bank which would be affected by the proposed amendment, it is not believed that this fact affects the validity of the principle that national banks in all the States should be placed on an equal footing; nor do we feel that the proposed amendment would impose any undue burden upon your institution.

"As a member of the Federal Reserve System, the total reserves which would be required of your bank under the law would be considerably less than the amount now required of it as a Territorial national bank. The point is made in your memorandum that, because of its distance from the continent, your bank would be compelled to carry a large amount of cash on hand which could not be counted as a part of its required reserves as a member bank. By the use of air transportation, however, your bank could obtain shipments of currency from the Federal Reserve Bank of San Francisco within less than 24 hours.

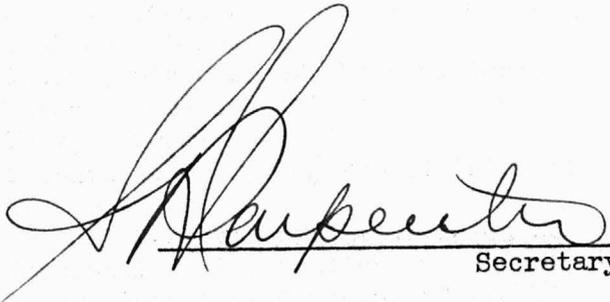
"At a hearing on the bill H. R. 49 held on April 15, 1948, before a Subcommittee of the Senate Committee on

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"Interior and Insular Affairs, Governor Clayton, a member of the Board of Governors, appeared in support of the amendment recommended by the Board; and there is enclosed for your information a copy of the statement made by him at that time. In this connection, he stated that, if Hawaii should become a State, the Board of Governors would be glad to give consideration to suggesting to the Federal Reserve Bank of San Francisco that a currency depot be established in Honolulu. It is believed that such action would in large measure meet the problem of your bank.

"We hope that upon further consideration of the matter your bank will agree that it is desirable that national banks in all States should be members of the Federal Reserve System."

Approved unanimously.

  
 Secretary.

Approved:

  
 Member.