Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, July 6, 1948. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Evans
Mr. Vardaman
Mr. Clayton
Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board
Mr. Riefler, Assistant to the Chairman
Mr. Vest, General Counsel

Chairman McCabe stated that since the meeting of the Board on June 25, 1948, he had talked further with Mr. Frank A. Southard, Jr., and that he had received word from Mr. Southard that he would accept the position of Associate Director of the Board's Division of Research and Statistics with salary at the rate of $13,500 per annum, in which capacity he would have charge of staff activities in the international field, and that he would assume his new duties about August 15, 1948.

There was presented a memorandum from Messrs. Thurston, Vest, and Carpenter dated July 2, 1948, transmitting alternate drafts of replies to the letter of June 10, 1948, from Mr. Stevens, Chairman of the Federal Reserve Bank of New York, with respect to the action of the Board increasing reserve requirements of member banks in central reserve cities. The drafts were prepared in accordance with the request at the meeting of June 25, 1948, one
being a short letter along the lines suggested by Mr. Vest at that meeting and the other a longer letter which might serve as a complete answer to the questions raised in Mr. Stevens' letter. The memorandum suggested that, inasmuch as Mr. Stevens would be in Washington tomorrow, July 7, 1948, to discuss salary matters, a good opportunity would be presented for a discussion which might make a reply to Mr. Stevens' letter unnecessary.

Mr. Vardaman stated that he was perfectly willing to dispose of the matter in a discussion with Mr. Stevens tomorrow provided that Mr. Stevens was requested to report the discussion to the directors of the Federal Reserve Bank of New York.

The drafts were discussed and there was unanimous agreement with the suggestion that the matter be discussed with Mr. Stevens when he is in Washington tomorrow afternoon.

Chairman McCabe stated that he had received a further telephone call from Mr. Cameron Thomson and that he had discussed with him the question of a joint meeting of the groups interested in holding company legislation which he (Chairman McCabe) was authorized to arrange at the meeting of the Board on June 23, 1948. Chairman McCabe stated that Mr. Dodge, President of the American Bankers Association wanted, if possible, to attend the meeting and that Mr. Thomson felt the best time would be early in August since that would precede the annual convention of the American Bankers Association. However, Chairman McCabe said, Mr. Townsend, Associate General Counsel, did not expect to return from the west coast until September.
In this connection there was a discussion of who should attend the meeting and Chairman McCabe stated that Mr. Thomson felt that representatives of the State supervisors need not be at this first meeting, whereas he (Chairman McCabe) felt it would be desirable to have them present since they would be vitally interested in the progress of holding company legislation.

It was suggested that attendance at the meeting should be kept as low as possible, that not more than three and preferably not more than two persons from each agency or group represented should attend, and that the Board's representation should be small and should include only the Chairman, Mr. Clayton, Mr. West, and Mr. Townsend.

There was also a discussion as to whether the Federal Advisory Council, which previously had expressed an interest in holding company legislation, should be invited to attend and Chairman McCabe stated that he would tell Mr. Brown, President of the Council, how the proposal for the meeting had originated and suggest that, inasmuch as it was expected that Messrs. W. F. Kurtz, President of The Pennsylvania Company, Philadelphia, Pennsylvania, and Harold Amberg, Vice President and General Counsel of the First National Bank of Chicago, would be present as representatives of the Association of Reserve City Bankers, it might not be necessary for the Federal Advisory Council as such to be represented.
At the conclusion of the discussion, it was agreed unanimously that Chairman McCabe would arrange the meeting for the early part of September and that he would extend invitations to two representatives from each of the following groups, except that invitations might be extended to three representatives of the State bank supervisors:
- Independent bankers
- Association of Reserve City Bankers
- Bank holding companies
- State bank supervisors
- American Bankers Association

It was also understood that (1) in addition to Chairman McCabe, Mr. Clayton as the member of the Board having the assignment of initial consideration of holding company matters, and Messrs. Vest and Townsend would attend the meeting as representatives of the Board, (2) that the groups representing the Morris Plan banks and savings banks would be given an opportunity at a later date of express their views if they should so desire, and (3) that Chairman McCabe would call the Comptroller of the Currency and the Chairman of the Federal Deposit Insurance Corporation and inform them of the meeting and that when the Board had obtained the views of the groups represented at the meeting it would discuss the whole matter with the two agencies.

Mr. Clayton stated that he had asked Mr. Delano, Comptroller of the Currency, and Messrs. Harl and Cook, Chairman and Director, respectively, of the Federal Deposit Insurance Corporation, to luncheon on July 12, 1948, for further informal discussions of examination procedure and the policies to be followed thereunder with a view to attaining better uniformity among the Federal supervisory agencies involved.
At this point Messrs. Riefler and Vest withdrew from the meeting and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 29, 1948, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on June 30, July 1, and July 2, 1948, were approved and the actions recorded therein were ratified unanimously.

Letter to the board of directors of the "Continental State Bank", Boise, Idaho, stating that, subject to conditions of membership numbered 1 and 2 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 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 Continental State Bank, Boise, Idaho, 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 Commissioner of Finance for the State of Idaho, for his information.

While the report of examination for membership shows a ratio of total capital to risk assets of 16.8 per cent which is greater than the ratio for all State member banks in the Twelfth Federal Reserve District as of December 31,
"1947, and only slightly less than the same ratio for all insured banks in the State of Idaho on the same date, the ratio is below the national average and appears very low for the applicant bank. It is noted that 34.5 per cent of the bank's deposits consist of public funds and 20 per cent represent balances due to banks. Director Cosgriff, representing the controlling interests, is reported to have advised your examiner that his credit policies now lean definitely toward conservatism. It is assumed that sound and conservative operating policies may be expected and that the Reserve Bank will follow the situation closely to detect and forestall any untoward developments."

Letter to Mr. Mangels, First Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your memorandum of May 28, 1948, accompanying the application of the Continental State Bank, Boise, Idaho, for membership in the Federal Reserve System, in which it is recommended that favorable consideration be given to the bank's application to establish a branch at New Plymouth, Idaho, subject to the approval of State authorities.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in New Plymouth, Idaho, by the Continental State Bank, Boise, Idaho, provided the proposed absorption of the New Plymouth State Bank is effected substantially in accordance with the plan as submitted, the bank shall have total capital accounts not less than $497,900, including common capital stock at $250,000, and the formal approval of the appropriate State authorities is obtained; 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 the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:
"In accordance with the request contained in your letter of June 28, 1948, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of sub-section (k)(2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of the Belvidere State Bank, Belvidere, South Dakota, in connection with its application for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"There have been no corrective programs urged upon the bank or agreed to, which have not been fully consummated and in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank."

Approved unanimously.

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

"Board's letter S-958 of February 4, 1947, regarding budgetary procedure indicated that budget reports for each year should include figures showing (a) expenses for current calendar year, and (b) budget for forthcoming year. Committee on Accounting recently reviewed experience in making, shortly after middle of year, an estimate of expenses for each item in each expense unit for remainder of calendar year and recommended a modification of present procedure in order to eliminate what appears to be unnecessary work. For budget purposes such estimates would not be appreciably better on the whole than actual expenses for the latest 12-month period which are readily available. In the circumstances Board requests that in submitting budget report for 1949 and subsequent years there be shown in the first column of Form F. R. 634(a) actual expenses for preceding 12-month period ending June 30, instead of estimated expenses for calendar year as requested in above-mentioned letter. Chairman Leach of Committee on Operations and Chairman McCreedy of Committee on Accounting both concur in this change."

Approved unanimously.
Letter to Mr. Theodore N. Beckman, Chairman, Committee on
Consumer Credit Statistics, The Ohio State University, Columbus

10, Ohio, reading as follows:

"This is in reply to your letter of June 16, 1948,
to Chairman McCabe relative to the formation of a com-
mittee on consumer credit statistics and the suggestion
that it meet with Board representatives to discuss prob-
lems involved in the development of the statistics.

The Board welcomes this opportunity to obtain the
technical assistance of well-informed representatives
of many of the trade groups engaging in consumer credit
activity. It is always interested in improving the use-
fulness and accuracy of the statistics it publishes.

You are, of course, aware of the responsibility
of the Bureau of the Budget with respect to government
statistics in general and the need for correlating
through the Budget Bureau the statistical activities
of all government agencies. It has occurred to us
that it would be well to bring the Budget Bureau into
these discussions at an early stage. There is also
the question of whether or not the discussions should
in any way be tied in with the work carried on by the
Advisory Council on Government Reports in view of the
possible interest of business groups other than those
actually engaged in extending consumer credit. As we
understand it, such a tie-in is by no means essential,
but the subject may be worth exploring.

We received the impression from your letter that
the meeting you have in mind would involve the presence
of your entire committee of 14 or 15 individuals. If
this is the case, it would seem to us advisable, in the
interest of saving their valuable time, for someone to
come to Washington in advance of such a meeting to give
us more specific information on the points the commit-
tee wishes to raise, to plan the meeting, and to develop
an agenda of topics. If this suggestion meets with your
approval, you can communicate with Mr. Bonnar Brown, As-
sistant Director of the Division of Research and Statis-
tics, who is in charge of the work on consumer credit
statistics and who will be available on any date that
you might prefer.

The Board appreciates the cooperative spirit with
which this assistance is being offered. The discussions
should prove fruitful not only in helping us in our
"statistical work but also in furthering a better understanding of the figures and the activities they are intended to measure."

Approved unanimously.

[Signature]

Approved:

[Signature]

Chairman.