Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, August 16, 1948.

PRESENT: Mr. Eccles, Chairman pro tem.
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Vardaman
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Hammond, 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 August 13, 1948, were approved unanimously.

Memorandum dated August 16, 1948, from Mr. Carpenter recommending that the resignations of Mrs. Elsie Q. Davis and Miss Mary W. Sullivan, file clerks in the Secretary's Office, be accepted to be effective, in accordance with their requests, as of the close of business August 20 and August 27, 1948, respectively, with the understanding that lump sum payments would be made for annual leave remaining to their credit as of those dates.

Approved unanimously.

Memorandum dated August 13, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the resignation of John W. Atchison, a laborer in that Division, be accepted to be effective, in accordance with his request, at the close of business August 13, 1948, with the understanding that

a lump sum payment would be made for annual leave remaining to his credit as of that date.

Approved unanimously.

Telegram to Mr. J. Hillis Miller, University of Florida, Gainesville, Florida, reading as follows:

"Board of Governors of Federal Reserve System has appointed you director of Jacksonville Branch of Federal Reserve Bank of Atlanta for unexpired portion of term ending December 31, 1948, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

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

"Replies to the Board's telegram of July 30, 1948, with respect to the policy to be followed where employees of the Federal Reserve Banks enter service in the Armed Forces of the United States under the Selective Service Act of 1948, indicate approval of the policy by the Banks, except that three of the Banks favor granting the additional benefits similar to those in effect during the last war, including the reimbursement for insurance preimiums on National Service life insurance, and the payment of unearned salary up to two weeks, one-half month, or one month, respectively.

"The Board feels that some consideration should be given to the continuation of the employee's death benefit provision under the Retirement System during the period of his training, and would like to have this matter discussed at the time of the next Presidents' Conference. However, as an interim policy the Board has approved the attached statement of policy for uniform treatment of employees of the Federal Reserve Banks entering service in the Armed Forces of the United States under the Selective Service Act of 1948, which accords comparable benefits granted employees entering the Armed Services during the last war.

"The Board also approves the payment up to two weeks or one-half month's unearned salary to employees

"entering active duty in the Armed Forces of the United States pursuant to the Selective Service Act of 1948, and the payment of an additional two weeks or one-half month's unearned salary if and when they return to service with the Bank.

"It is understood that the Actuary for the Retirement System feels that it would be preferable to have contributions made by the Banks currently to cover the cost of the retirement benefits accorded employees for service in the Armed Forces as was done previously, and the Board approves the re-establishment of that procedure."

Approved unanimously.

An application had been received under date of July 14, 1948, from "The National City Bank of New York", New York, New York, requesting approval of the Board to establish and maintain branches of the bank in Kobe, Japan, and in Yokohama, Japan, and a letter had been received under date of July 15, 1948, 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 Office of the Comptroller of the Currency on July 22, 1948, and by the Department of the Army on August 10, 1948, that those departments had no objection to the establishment of the proposed branches. In this connection there were submitted drafts of letters to "The National City Bank of New York" reading as follows:

"The Board of Governors of the Federal Reserve System authorizes The National City Bank of New York, pursuant to the provisions of section 25 of the Federal Reserve Act, to establish a branch at Kobe, Japan, and to operate and maintain such branch subject to the provisions of such section; upon condition that unless

"the branch is actually established and opened for business on or before September 1, 1949, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

"The Board of Governors of the Federal Reserve System authorizes The National City Bank of New York, pursuant to the provisions of section 25 of the Federal Reserve Act, to establish a branch at Yokohama, Japan, and to operate and maintain such branch subject to the provisions of such section; upon condition that unless the branch is actually established and opened for business on or before September 1, 1949, all rights granted hereby shall be deemed to have been abandoned and the authority hereby granted shall automatically terminate on such date."

Approved unanimously, together with a letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Enclosed are letters of the Board of Governors authorizing The National City Bank of New York to establish branches at Kobe and Yokohama, Japan, which you will please deliver to the bank. Copies of these letters are enclosed for your files.

"Please ask the bank to note that the authority to establish the branches will automatically terminate on September 1, 1949, if both branches are 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 branches are so established and opened for business."

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

"This refers to your letter of August 3, 1948, advising that The Wendell National Bank, Wendell, Idaho, has requested the permission of the Board of Governors to act as trustee in connection with an issue of debenture bonds by Gates Brothers, Inc., Wendell, Idaho, in the amount of $250,000.00, and recommending that the Board grant the request with the understanding that the bank will not engage further in trust business without first obtaining the permission of the Board.

"Under the provisions of Section 11(k) of the Federal Reserve Act a national bank, to be granted trust powers, must have a capital at least equal to that required by State law of State banks, trust companies and corporations exercising such powers. According to the latest information available here a minimum of $50,000.00 capital would be required for an Idaho institution exercising trust powers, whereas this bank has $25,000.00 capital. It appears, therefore, that under the provision of law above referred to this bank cannot be granted the power requested. If your counsel concurs, please advise the bank accordingly.

"Upon receipt of the bank's request it was discussed informally with the Office of the Comptroller of the Currency. That Office advised that it has been trying for a long time past to persuade the bank to increase its capital by the sale of new stock, but without success. In view of the low ratio of capital structure to deposits, and the apparent unwillingness of its stockholders to effect the desired increase, the Comptroller's Office feels that the bank should not take on additional duties and possible liabilities in the form of any fiduciary activity.

"While a few exceptions have been made in the past, it is the policy of the Board to require a formal application on the forms provided therefor, from each national bank applying for trust powers, whether full or limited. In this case, if the capital requirements were met, it would have been necessary to request as a minimum requirement, an application accompanied by a certified copy of a resolution by the bank's board of directors authorizing the application, and the usual statement by your counsel as to the legal phases of the matter. Applications by State member banks for permission, under an applicable condition of membership, to exercise fiduciary powers held under State law, can be handled, as you know, with less formality.

"The samples of the debenture bond and the trust agreement which were enclosed with your letter are returned herewith in accordance with your request."

Approved unanimously.

S R Carpenter
Secretary.

Approved:

M S Eccles
Chairman pro tem.