

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 27, 1948.

PRESENT: Mr. Draper, Chairman pro tem.
Mr. Clayton

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board

Telegrams to the Federal Reserve Banks of Boston, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 24, by the Federal Reserve Bank of St. Louis on August 25, by the Federal Reserve Banks of Richmond, Chicago, Minneapolis, Kansas City, and Dallas on August 26, 1948, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Telegram to Mr. Gidney, President of the Federal Reserve Bank of Cleveland, reading as follows:

"Retel August 26, Board approves effective August 30, 1948, minimum buying rate of 1-1/2 per cent on bankers' acceptances and buying rate of 1-1/2 per cent on purchases of Government securities under resale agreement as authorized by the Federal Open Market Committee. Otherwise Board approves establishment by your Bank, without change, or rates of discount and purchase in Bank's existing schedule, advice of which was contained in your telegram dated August 26. It is noted that executive committee voted that discount

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"rates for advances to and discounts for member banks under Section 13 and 13a of the Federal Reserve Act are also applicable to rediscounts for and discounts of notes payable to Federal Intermediate Credit Banks."

Approved unanimously.

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

"The Board approves the payment of salaries to William R. Sandstrom as Assistant Manager at the Seattle Branch at the rate of \$5,500 per annum and to R. H. Morrill as Assistant Cashier assigned to the Head Office at the rate of \$7,000 per annum for the period beginning September 1, 1948 through April 30, 1949 which are the rates fixed by your Board of Directors as reported in your letter of August 24, 1948."

Approved unanimously.

Letter to the "American Trust and Banking Company", Chattanooga, Tennessee, reading as follows:

"The Board of Governors of the Federal Reserve System has considered the application for permission to exercise fiduciary powers made by you on behalf of the American National Bank and Trust Company of Chattanooga, Tennessee, the national bank into which the American Trust and Banking Company, Chattanooga, Tennessee, is to be converted, and grants such national bank authority, effective if and when it is authorized by the Comptroller of the Currency to commence business, to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Tennessee, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

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"After the conversion of the American Trust and Banking Company, Chattanooga, Tennessee, into the American National Bank and Trust Company of Chattanooga becomes effective and the Comptroller of the Currency authorizes the national bank to commence business, you are requested to have the board of directors of the national bank adopt a resolution ratifying your application for permission to exercise fiduciary powers, and a certified copy of the resolution so adopted should be forwarded to the Federal Reserve Bank of Atlanta for transmittal to the Board for its records. When a copy of such resolution has been received by the Board, a formal certificate covering the national bank's authority to exercise trust powers will be forwarded."

Approved unanimously, for
transmission through the Fed-
eral Reserve Bank of Atlanta.

Letter to "The Pontiac National Bank", Pontiac, Illinois,
reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Illinois, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for trans-
mission through the Federal Reserve
Bank of Chicago.

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

"There is enclosed for your information a copy of a ruling by the Board interpreting section 17(c)(5) of Regulation F, dealing with limitations upon investments in common trust funds, which will be published in the next issue of the Federal Reserve Bulletin."

Approved unanimously, together with the interpretation referred to, which read as follows:

"Common Trust Funds

"Limitations on Participation

"Section 17(c)(5) of Regulation F, dealing with limitations upon investments in common trust funds, provides in part as follows:

'No funds of any trust shall be invested in a participation in a Common Trust Fund if such investment would result in such trust having invested in the aggregate in the Common Trust Fund an amount in excess of 10 per cent of the value of the assets of the Common Trust Fund at the time of investment, as determined by the trust investment committee, or the sum of \$50,000, whichever is less. * * * In applying the limitations contained in this paragraph, if two or more trusts are created by the same settlor or settlors and as much as one-half of the income or principal or both of each trust is payable or applicable to the use of the same person or persons, such trusts shall be considered as one.'

"The Board of Governors has considered an inquiry with respect to the application of the above-quoted provisions of the Regulation in the following situation:

'Two trusts are created by the same settlor. The first trust is for her benefit for life, then for the benefit of the life of a second party with remainder over to a third party. The second trust is for the life benefit of the second party with remainder over to a third party. The beneficial interest might merge for a time for the remaining period of the life of the second party if he should

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"survive the settlor, and then upon the second party's death there would be an ultimate merger upon vesting of the principal of both trusts in the third party."

"The Board pointed out that this situation was very similar to the one considered in a ruling published in the 1941 Federal Reserve Bulletin at page 618, the only difference being in the possible merger of the beneficial interests for a time in one of the two life tenants before ultimate merger upon vesting of the principal of both trusts in the remainderman. The Board concluded that this situation came within the scope of the 1941 ruling and that investments in a common trust fund might be made without considering the two trusts as one for the purpose of applying the limitations of section 17(c)(5) quoted above.

"The Board also stated that the merger of the beneficial interests through vesting thereof in one person at some future date would not necessitate at such time withdrawal or reduction of the participation by either trust in the common trust fund, as section 17(c)(5) is intended to deal only with the act of investing in participations in common trust funds and does not require the withdrawal or reduction of participations once legally acquired."

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

"Reference is made to your letter of August 18, 1948, submitting the request of the Union Trust Company, Providence, Rhode Island, for approval of an additional investment of \$42,489.44 in banking premises expended in 1947 in connection with alterations made in the annex building of the bank.

"In accordance with your recommendation, the Board of Governors approves the additional investment of \$42,489.44 in banking premises by the Union Trust Company for the purpose above indicated."

Approved unanimously.

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

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"This will acknowledge receipt of your letter of August 11, 1948, in which you advised that actual expenses for 1948 will exceed budget estimates for the year in various functions at the head office and branches, in the total amounts shown below:

	<u>Amount</u>
Head Office	\$48,518
Birmingham Branch	2,741
Jacksonville Branch	11,627
Nashville Branch	3,856
New Orleans Branch	27,203

"It would appear from the statements made in your letter that these increased expenditures are necessary and appropriate notations to this effect are being made on the Board's records."

Approved unanimously.

Memorandum dated August 26, 1948, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the Board authorize payment in the amount of \$144.10 to Hart, Alderson, McCabe and Harkins and \$159.50 to Columbia Reporting Company to cover the cost of stenographic transcripts of testimony of Messrs. McCabe, Eccles, Sproul, Young, Leedy, and Williams before the Senate and House Committees on Banking and Currency on July 29 and 30 and August 2 and 3, 1948. The memorandum also recommended that the appropriate classification in the 1948 non-personal budget of the Division of Administrative Services be increased by \$303.60 to cover the expense involved.

Approved unanimously.

Memorandum dated August 27, 1948, from Mr. Hooff, Assistant Counsel, recommending that, in addition to material previously submitted, there be published in the law department of the

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September issue of the Federal Reserve Bulletin a statement in the form attached to the memorandum regarding the status of previous rulings under Regulation W.

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.