

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, September 3, 1948.

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Draper  
Mr. Vardaman

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on August 31 and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on September 2, 1948, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, prepared in accordance with the action taken at the meeting of the Board on August 31, 1948, reading as follows:

"The telegrams which you addressed to Messrs. Szymczak and Evans on August 26 and your letters of August 27, 1948 to Messrs. Draper and Vardaman indicate a feeling on your part that the Board had some reason, other than the reasons conveyed in our telephone conversations last week, for not approving a salary at the rate of \$8000 per annum as proposed by your directors for Mr. Clarence Groth, Assistant Vice President at the Helena Branch. The Board wishes to assure you that there are no other reasons for its position in this matter than those of which you have already been advised, and in order that you may present them to your directors they are restated below.

-2-

9/3/48

"The Board is in full agreement with the selection of someone who can be trained in the remaining period of Mr. Towle's service to succeed him as the officer in charge of the Branch and the Board appreciates very much the considerable amount of time and attention that have been given by you and your directors to finding the proper solution of this problem. The Board is entirely willing to accept your judgment and that of your directors that Mr. Groth is the most desirable person available for the appointment. However, it can not see why a salary at the rate of \$8000 per annum is an essential part of the arrangement and why all of the objectives sought by the arrangement can not be achieved with an initial salary of \$7000 per annum which appears to the Board to be in line with the facts of the situation. Without desiring to emphasize the point at all, the Board feels that it has a definite responsibility under the law to consider salaries proposed by the directors of a Federal Reserve Bank on the basis of a salary policy applicable to the entire System and the members of the Board feel that your directors will readily agree that the Board could not adequately discharge that responsibility if it approved salaries proposed by a Federal Reserve Bank when in the opinion of the Board of Governors they are out of line.

"A salary at the rate of \$8000 per annum would amount to an increase of 38 per cent and a salary at the rate of \$7000 will give Mr. Groth an increase of 20 per cent. The larger salary would be \$1500 higher than was received by the officer whom Mr. Groth is succeeding and while it is recognized that he will be expected to take a more important part in the affairs of the Branch and its contacts in the territory with a view to succeeding Mr. Towle, it will be some months before he will be able fully to measure up to the new position and be of greater immediate value to the Branch than was Mr. Larson. In comparing salaries for similar positions in other branches as well as the pattern of salaries of officers at your Bank it appeared to the Board that a starting salary of \$7000 would be adequate in a small branch such as Helena. If the salary was fixed at \$8000 it would give Mr. Groth a larger increase immediately than the total of all increases he would have to look forward to in the future

9/3/48

-3-

"assuming that in due course he would succeed Mr. Towle and eventually receive the salary that Mr. Towle is now receiving. Furthermore, the difference between the salary of \$8000 and Mr. Towle's salary of \$10,000 would be smaller percentagewise than the difference between the salary of the first and second officer at any other Branch of a Federal Reserve Bank. Finally, the approval of a salary at the rate of \$7000 at this time does not mean that the matter can not be taken up again at the time of the annual review of official salaries at your Bank in April of next year.

"The Board appreciates very greatly and joins in your desire to preserve the present completely cooperative relationship which it has with the directors of your Bank and if for any reason you or your directors feel that Mr. Groth's salary has not had adequate consideration or has not been properly presented to the Board, it will be glad to consider any further comments that you or your directors might wish to make or to discuss the matter with you when you are in Washington at the time of the next Presidents' Conference."

Approved unanimously.

Letter to the Honorable Preston Delano, Comptroller of the Currency, prepared in accordance with the action taken at the meeting of the Board on August 31, 1948, reading as follows:

"On June 30, 1948, you were informed that Bank of America National Trust and Savings Association had filed applications with the Board for permission to establish branches at Bremen, Frankfurt-am-Main, and Hamburg, Germany. On July 22nd you advised the Board that your office would enter no objections to the establishment of these branches.

"Since these communications were exchanged, the Board understands that the subject of these proposed branches has been further discussed with you, on one occasion by Governor Szymczak on the telephone, and on another by Governor Clayton and Mr. Townsend of the Board's Legal Division. The Board is informed that

9/3/48

-4-

"on each of these occasions you raised questions concerning certain factual aspects of the matter which might well be considered by the Board in arriving at its decision on these applications, including references to the capital structure of the bank, its loan and dividend policies, as well as to the basic problem of potential over-expansion of the Bank of America generally. A further reference to this latter subject is contained in your letter of August 30th.

"Inasmuch as the discussions just referred to have taken place since your letter of July 22nd was received by the Board, the Board feels that, before it takes final action approving or disapproving the applications of Bank of America for additional foreign branches, it would be helpful to the Board to obtain from you in more detail such comments as you think are pertinent relating to the capital structure of the Bank of America, its loan and dividend policies, and such other subjects as may be relevant to this issue."

Approved unanimously, together  
with a letter to the Honorable Maple  
T. Harl, Chairman, Federal Deposit  
Insurance Corporation, reading as  
follows:

"On June 24, 1948, the Bank of America N. T. & S. A. filed its applications with the Board for permission to establish certain branches in Bremen, Frankfurt-am-Main, and Hamburg, Germany. These applications are now being processed by the Board's staff.

"The Board understands that, on two recent occasions when you and Mr. Cook met with Governor Clayton and Mr. Townsend of the Board's Legal Division, the fact that these applications had been filed with the Board was discussed and you expressed the feeling that your Corporation, because of its position as insurer of the domestic deposits of Bank of America, had a very substantial interest in any questions touching upon the further expansion of that bank.

"In the light of these discussions, the Board is desirous of obtaining from you such comments as you think are pertinent to these applications, especially

9/3/48

-5-

"viewed from the standpoint of the Corporation's position as insurer of the bank's domestic deposits, together with such recommendations as you may care to make in the premises."

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

"In connection with the administration of Regulation W, about which the Board wrote you in its letter (S-1037) of September 2, 1948, it is planned that the enforcement program will be discussed with the Presidents of all Reserve Banks when the Presidents' Conference meets in Washington the week of October 4. Following that, on October 13 and 14, the Board hopes to have a conference in Washington of those in charge of Regulation W at the Reserve Banks.

"Work is going forward on the new Registration Statement which will be simpler in form but which must be designed carefully to get the appropriate information and to make it suitable for punchcard operation. It must be cleared with the Bureau of the Budget. It is expected that photo-offset negatives or printer's proofs will be prepared to send to the Reserve Banks so that the printing can be done locally. Unless you notify us to the contrary, we will assume that this procedure will be satisfactory. The negatives or proofs probably will not be available before the middle of September.

"The Board is also giving thought to the development of a uniform Registration Certificate for use by all Federal Reserve Banks and to uniform credentials for the use of all Regulation W investigators. If finally adopted, samples will be furnished for reproduction by each Bank.

"Our investigations so far indicate that the designations of automobile appraisal guides will be about the same as under the old regulation, but there are still several problems to be cleared up. It is hoped that the designations can be published sometime during the week of September 6.

"With respect to the monthly report, resumption of which was requested in the Board's letter (S-1037) of

-6-

9/3/48  
 "September 2, 1948, it is planned to revise Form F.R. 639 as well as the System summary prepared by the Board from the information submitted by the Federal Reserve Banks. The Board would be glad to receive any suggestions you may have which would increase the value of the monthly report and summary.

"The question has been raised as to whether a new 'Outline of Loan Provisions of Regulation W', such as was issued in 1946 for use by bank examiners and similar persons for ready reference, should be prepared and distributed. The Board would like to have your views on this question and any suggestions you may have as to its content."

Approved unanimously.

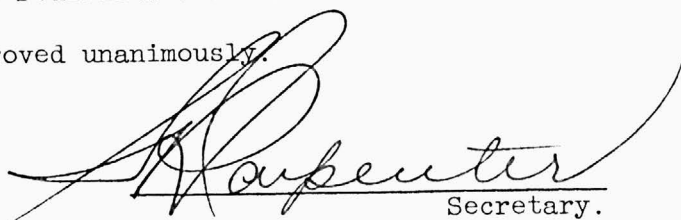
Telegram to Mr. Knoke, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your wire September 2. Board approves three months renewal by your Bank of \$15,000,000 of the \$20,000,000 gold loan to the Bank Polski maturing September 9, on the same terms and conditions as now apply, which were set forth in your letter to the Board of December 12, 1947.

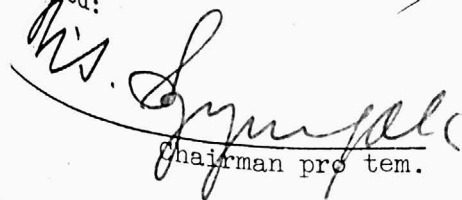
"The Board notes that you are of the opinion that we should proceed with the program of repayment established at the time of the June 9 renewal, namely, that any further extension of this or any other loan would, if granted, be contingent upon a repayment calculated on the basis of at least 25 per cent of the amount now outstanding.

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

Approved unanimously.

  
 Secretary.

Approved:

  
 Chairman pro tem.