

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, September 28, 1948.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Draper
Mr. Evans
Mr. Vardaman

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on September 27, 1948, were approved unanimously.

Letter to the board of directors of the "Almeda State Bank", Houston, Texas, 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 Dallas. The letter also contained the following special comment:

"It appears that the bank possesses the power to issue and sell investment certificates, which power is not necessarily required in the conduct of a banking business. It appears also that the bank possesses authority to exercise fiduciary powers but such powers are not being exercised at this time. Attention is called to the fact that if the bank should desire to exercise the power to issue and sell investment certificates or to exercise fiduciary powers, it will be necessary, under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them."

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Approved unanimously, together with a letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the Almeda State Bank, Houston, Texas, 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 Bank Commissioner for the State of Texas, for his information.

"Pursuant to the provisions of Section 19 of the Federal Reserve Act, the Board of Governors grants permission to the subject bank to maintain the same reserves against deposits as are required to be maintained by banks not in Reserve or Central Reserve cities. This permission is subject to revocation by the Board of Governors, particularly if the bank acts as a city correspondent to any substantial degree.

"It is assumed that you will follow the matter of having the service of Mr. J. W. Keeland as a director of the applicant bank, the Harrisburg National Bank, and the Heights State Bank, brought into conformity with the provisions of Section 8 of the Clayton Act."

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

"Reference is made to your letter of September 20, 1948, submitting the request of The Capon Valley Bank, Wardensville, West Virginia, for approval under Section 24A of the Federal Reserve Act, of a proposed investment estimated at \$32,639.50 for the construction of a new bank building. It is understood that the expenditure will increase the investment in bank premises, including the cost of the site, to more than \$34,000.

"It is noted that the bank is now occupying rented quarters which are considered inadequate for its needs. Therefore, in accordance with your recommendation, the Board of Governors approves the investment in bank premises as proposed, provided the excess carrying value

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"over \$25,000, except \$2,000, is eliminated on or before completion of the building and that by July 1, 1949, the carrying value of bank premises will be reduced to \$25,000."

Approved unanimously.

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

"Recently the Burroughs Adding Machine Company of Detroit, Michigan, proposed a plan for the handling of savings accounts by banks without the use of passbooks and, in this connection, requested the Board to consider amendments to its Regulations D and Q, in order to permit the adoption of this plan by member banks. A number of banks, including some nonmember banks, have written the Board, apparently at the suggestion of the Burroughs Company, endorsing the proposed plan and suggesting such amendments to the Board's regulations.

"In order to assist the Board in its consideration of this matter, it will be appreciated if you will advise the Board within the next few weeks of any views which your Bank may have with respect to this proposal and whether you think it desirable that the Board's regulations be changed to permit its adoption. It is suggested that you may wish to consult with some of the member banks in your district. For your information in this connection, there is enclosed a brief description of the proposed procedure together with an outline of some of the arguments which may be advanced for and against the proposal.

"If it should appear that most of the Federal Reserve Banks believe that the proposal has merit and if, after further consideration, the Board should reach the conclusion that it may be desirable to amend its regulations in the manner suggested, the matter will be brought to the attention of the other bank supervisory agencies and other interested organizations with a request for their views. In this connection, we understand that the Burroughs Company is submitting the plan to the American Bankers Association or a committee of that Association for such comments as it may have to offer.

"We have, of course, advised the Burroughs Company that the adoption of the proposed plan by nonmember banks

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"would depend upon applicable provisions of State law and regulations of State banking authorities in some instances and, in the case of nonmember insured banks, upon provisions of regulations of the Federal Deposit Insurance Corporation relating to savings deposits which are substantially identical with those contained in the regulations of the Board."

Approved unanimously.

Letter to Mr. Marshall L. Brewster, Reseda Home Appliance Shop, 7225 Reseda Boulevard, Reseda, California, reading as follows:

"Thank you for your recent thoughtful letter regarding the appliance business and Regulation W. We note your concern that the credit controls will be too restrictive under the pressure of increasing competition for sales and, particularly, that unscrupulous dealers may evade the regulation and so gain an unfair advantage over the dealers who comply with its terms.

"The maturity and down payment requirements of the regulation were adopted, after careful study, so that they would restrict excessive expansion of instalment credit without restricting sales of the regulated articles more than was considered necessary to make the regulation effective. From the majority of the comments we have heard it seems that most of the trades affected by the regulation agree that its provisions will not seriously interfere with normal trading activity and that they will provide for a sounder structure of terms.

"You may be certain that the Board recognizes its responsibilities for enforcement of the regulation, and you may rest assured that the several Federal Reserve Banks will vigorously enforce its provisions in their respective districts.

"We appreciate your interest in writing to us."

Approved unanimously.

Approved:

Thomas B. Lee
Chairman.

A. Carpenter
Secretary.