

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, November 15, 1948. The Board met in the Conference Room at 2:15 p.m.

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

Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board
Mr. Vest, General Counsel

Chairman McCabe referred to the informal arrangement reported by Mr. Evans at the meeting on November 5, 1948, that the Board would not submit a list of topics on which the views of the Federal Advisory Council would be requested at its meeting to be held with the Board tomorrow, and stated that as a result the Council had submitted no topics for consideration by the Board at this time. He said he understood, however, that the Council would like to have an informal discussion of questions which may be presented by the report of the Hoover Commission on the reorganization of Government and that it might also wish to discuss the proposal for a national monetary commission.

These matters were discussed and it was understood that should occasion arise at the meeting with the Federal Advisory Council the views of the Board would be presented by Chairman McCabe substantially as follows:

11/15/48

-2-

If the Council raised a question as to the request from the President for material for the State of the Union message and for the legislative program, Chairman McCabe would say that the Board had received the request but had not yet had an opportunity to consider it and at this time had nothing to advise on the subject. If the Council pressed the matter further and expressed a desire to advise with the Board on legislative recommendations, Chairman McCabe would say that the Board would be glad to have the Council submit to it any recommendations that it might wish to make as to the legislative program.

With respect to the report of the Hoover Commission, if the views of the Board were requested by the Council, Chairman McCabe would say that the Hoover Report would not be submitted until next January and that it would be premature to discuss at this time what the report might contain, or questions that might arise in connection with it.

In this connection, it was understood that Chairman McCabe might draw out from the members of the Advisory Council whether they had suggestions on the subject of a National Monetary Commission, including suggestions as to the possible membership of such a Commission. It was understood that no position had been taken by the Board for or against a Monetary Commission and that any discussion would be in general terms.

In response to an inquiry by Mr. Eccles, Chairman McCabe and Mr. Evans stated that the informal procedure arranged for this meeting with the Federal Advisory Council was not intended in any way to affect the procedure approved in October 1946 under which written topics are submitted in advance of a meeting of the Council and written comments thereon are given to the Board for consideration before the joint meeting of the Board with the Council.

Reference was then made to a memorandum prepared in the Division of Research and Statistics, under date of November 9, 1948,

11/15/48

-3-

under the title Notes on Present United States Gold Policy. Mr. Szymczak stated that the memorandum was prepared in accordance with the discussion at the last meeting of the Board with the Federal Advisory Council, that it contained factual information, and that he would recommend that it be made available to the members of the Federal Advisory Council on a confidential basis as a staff report.

Mr. Szymczak's suggestion was approved unanimously with the understanding that the report would be handed to the members of the Federal Advisory Council this afternoon.

Before this meeting there had been sent to each member of the Board a memorandum dated November 10, 1948, transmitting a list of questions which would require consideration by the Board in connection with the request of the President dated November 6, 1948, for subjects to be included in the State of the Union message, the Economic Report, and the legislative program of the System. Chairman McCabe suggested that in view of the shortness of time the matter be held for a later meeting of the Board, and after a discussion it was understood that the Board would meet at 2:30 p.m. tomorrow afternoon, Tuesday, November 16, 1948, to consider the matter.

Chairman McCabe reported that, in accordance with earlier discussions, he made an appointment to see Mr. L. M. Giannini of Transamerica Corporation and Bank of America N.T.&S.A. on November 9, 1948, at which time Mr. Giannini came to see him in his office.

11/15/48

-4-

Chairman McCabe said that their discussion covered the bank holding company legislation on which Mr. Giannini expressed the view that his objection was to Transamerica Corporation having been singled out as a culprit. Chairman McCabe said they also discussed his (Chairman McCabe's) testimony at the time of his confirmation as a member of the Board by the Senate with respect to the reasons why Bank of America had expanded so greatly in the western states, and that Mr. Giannini expressed the view that his answer was a good reply. In elaborating, Mr. Giannini stated the reason for the expansion was explained in terms of the growth and development that had taken place in the Pacific coast territory.

At this point Mr. 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 November 12, 1948, were approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"It is desired that the regular annual report to the Board on Form F. R. 437 be obtained from Wisconsin Bankshares Corporation, Milwaukee, Wisconsin, covering its fiscal year ended October 31, 1948. Please request the Corporation to file its report in duplicate with your Bank on or before December 1, 1948. However, if the Corporation's annual audit by public accountants has not been completed by that date, the Corporation may, if it so desires, await the completion of the audit and file its report to the Board as soon as practicable thereafter.

11/15/48

-5-

"We are enclosing six copies of Form F. R. 437 for use in obtaining the report from Wisconsin Bankshares Corporation.

"It is requested that one copy of the report be forwarded to us immediately after receipt by your Bank, to be followed later by such additional data and explanations as it may be necessary to obtain from the Corporation to complete or correct the report. After your Bank has reviewed the report, and other relevant information, we shall appreciate receiving a copy of the memorandum relating to such review, together with any recommendations, comments, or suggestions which you may have regarding the group."

Approved unanimously.

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

"Reference is made to your letter of October 15, 1948, regarding the contemplated absorption through merger of the Central Trust Company, Charleston, West Virginia, by The Kanawha Valley Bank, Charleston, West Virginia.

"It is understood that the Federal Deposit Insurance Corporation has issued its written consent, under the provisions of Section 12B(v)(4) of the Federal Reserve Act, for the merger of the State member bank with the uninsured nonmember trust company and that, in your opinion, the proposed transaction will not result in any change in the general character of the assets of The Kanawha Valley Bank.

"In view of your recommendation, the Board of Governors will interpose no objection, under the condition of membership to which it is subject, to the exercise of the trust powers which The Kanawha Valley Bank, as the continuing institution, will acquire as a result of the proposed merger with the Central Trust Company.

"It is assumed that counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to effect the proposed merger."

Approved unanimously, together with the following telegram to Mr. Wayne:

11/15/48

-6-

"Reurlet twelfth and recommendation Board will interpose no objection to the exercise by The Kanawha Valley Bank, Charleston, West Virginia, of the trust powers granted it by the State of West Virginia."

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

"The Board will issue the following statement to the press at 3 P.M. today. You may give it any distribution you wish in your district but it is not intended to replace or interfere with any publicity you may have planned on the subject and it need not be distributed unless you so desire.

'BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
Statement for the Press

'For release at
3 P.M., Monday, November 15, 1948.

'The deadline date for registration under Regulation W is November 19, 1948. By that time all businesses extending consumer instalment credit in amounts of \$5,000 or less and of the types subject to Regulation W are required to have registered if they were engaged in such business on September 20, 1948, the effective date of the regulation. Failure to register as required is a violation of Regulation W and may subject the Registrant to penalties.

'Those required to register include automobile dealers and merchants who extend instalment sale credit in connection with automobiles, cooking stoves, dishwashers, ironers, refrigerators, washing machines, air conditioners, radios, television sets, phonographs, sewing machines, suction cleaners, furniture and rugs. Also required to register are banks, loan companies and finance companies which finance such sales or make consumer instalment loans of \$5,000 or less.

'Blank registration forms are available at any Federal Reserve Bank or Branch.'

Approved unanimously.

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

11/15/48

-7-

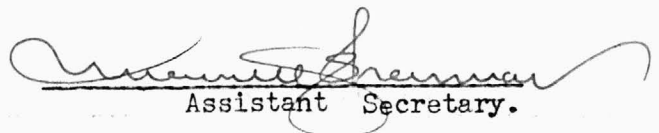
"This refers to your letter of November 5, 1948, regarding a question presented by Mr. H. M. Craft, President of the California Bankers Association, and others affected, regarding renewals and revisions of real estate loans under Regulation W.

"The question relates to real estate loans which were made before the effective date of the regulation but which are now to be renewed, with or without an additional extension of credit. In many cases the credit that originated before the effective date is of the type that would qualify for exemption under section 7(g), but Mr. Craft apparently is uncertain as to the method of ascertaining the facts relating to such an outstanding credit. Since section 7 does not contain an express requirement of a statement of the borrower like that in section 4, he apparently feels that such a statement accepted in good faith could not be used to establish the facts of an exemption under section 7.

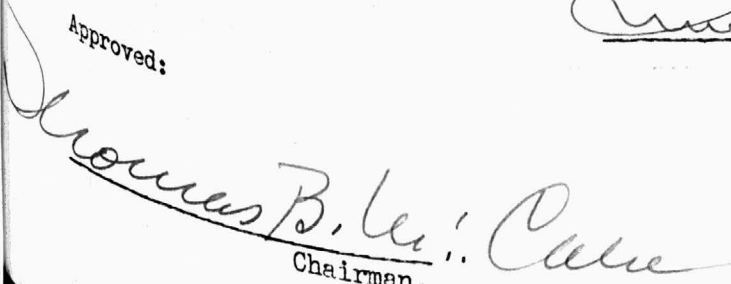
"The Board agrees with your view that although the Statement of the Borrower is not required in connection with loans exempt under section 7(g), if a Registrant accepts in good faith a written statement from a borrower setting forth facts that would qualify a loan for exemption under section 7(g), the Registrant may rely upon such statement.

"At one time the regulation exempted loans merely because they happened to be secured by a first lien on real estate. That exemption was removed from the regulation because it was found to be unworkable, and the Board believes it would be inadvisable to restore such an exemption, even with respect to credits that originated prior to September 20 as recommended by the Association."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman.