

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, November 30, 1948. The Board met in the Board Room at 2:35 p.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Smead, Director of the Division of Bank Operations  
Mr. Thomas, Director of the Division of Research and Statistics  
Mr. Vest, General Counsel

Before this meeting the Presidents of the Federal Reserve Banks submitted a memorandum covering topics discussed at their separate meeting on November 29, 1948, which were to be reviewed with the Board at the joint meeting to be held at 10:30 a.m., December 1, 1948. The matters were discussed and it was understood that responses would be made substantially along the lines recorded in the separate minutes of that meeting.

At this point Messrs. Riefler, Smead, Thomas, and Vest withdrew from the meeting and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

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Minutes of actions taken by the Board of Governors of the Federal Reserve System on November 29, 1948, were approved unanimously.

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

"Reference is made to your letter of November 24, 1948, regarding the request of The Sylvania Savings Bank Company, Sylvania, Ohio, for a 60-day extension of the time within which the establishment of its proposed branch in Adams Township, Lucas County, Ohio, at the intersection of Dorr Street and Reynolds Road, may be accomplished under the approval granted by the Board of Governors on June 16, 1948.

"In view of your recommendation, the Board extends to February 16, 1949, the time within which establishment of the branch may be accomplished."

Approved unanimously.

Letter prepared in accordance with the action at the meeting of the Board on November 16, 1948, to Mr. Volberg, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"The Board's staff has been processing the application of Bank of America N. T. & S. A. for permission to establish a foreign branch at Bangkok, Siam, which application was forwarded to the Board in your letter of September 30, 1948. In connection therewith the Board has recently written to the Comptroller of the Currency and to the Chairman of the Board of the Federal Deposit Insurance Corporation to ascertain whether there are any reasons known to such officers why the Board should reject the application. It is expected that a conference will be held in the near future between Mr. Delano, Mr. Harl and members of the Board to discuss this and the other pending foreign branch applications of Bank of America which have not yet been acted upon by the Board.

"At a recent meeting the Board discussed these applications in the light of your letter of September 30, 1948, in which you state that you have made no

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"attempt to obtain information concerning the business conditions and banking prospects in Bangkok but that the applying bank has apparently analyzed the situation carefully and the senior officer of the International Banking Department has visited Bangkok recently. You also pointed out that in view of the size of Bank of America it should have no difficulty in supplying adequate personnel and supervision, and that the capitalization of the bank is substantial.

"In view of the fact that, since June 1946, Bank of America has applied for permission to establish nine foreign branches and that, as appears from your letter of June 8, 1948, there is every likelihood that it will seek permission to establish additional ones (thus signifying a possible global expansion), the Board feels that a more thorough analysis of the problems posed by these applications should be undertaken by the San Francisco Reserve Bank so that the Board may have the benefit of a more comprehensive report and recommendation. In this connection the Board particularly desires to have the Reserve Bank's analysis of recent important developments in the over-all economic, political and financial aspects of the matter in so far as they may have an impact upon the operations of present and potential branches of Bank of America. The Board would also like to have a more detailed appraisal of the factors respecting Bank of America, its policies and personnel, which should be considered by the Board in formulating a general policy for dealing with the foreign branch applications of this bank."

Approved unanimously, together with letters to the Honorable Preston Delano, Comptroller of the Currency, and the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

Letter to Mr. Delano

"The Bank of America National Trust and Savings Association, San Francisco, California, has filed an application for permission to establish a branch at Bangkok, Siam.

"It will be appreciated if you will advise the Board whether, in your opinion, there are any reasons, relating either to the capital structure of Bank of America, its loan or dividend policies, or other pertinent considerations, upon the basis of which this application should be rejected by the Board."

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Letter to Mr. Harl

"The Bank of America National Trust and Savings Association, San Francisco, California, has filed an application for permission to establish a branch at Bangkok, Siam.

"It will be appreciated if you will advise the Board whether there are any reasons, from the standpoint of your Corporation's position as the insurer of the domestic deposits of the Bank of America, why this application should be rejected by the Board."

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

"The Board of Governors has approved the application of The Wendell National Bank, Wendell, Idaho, for a specific fiduciary power, as evidenced by the enclosed letter which you are requested to forward to the applicant. A copy of such letter is also enclosed for your files.

"It is understood that the bank has already agreed to conserve its earnings until a satisfactory relationship between its capital accounts and its total assets and risk assets is achieved."

Approved unanimously.

Letter prepared in accordance with the discussion at the meeting of the Board on November 17, 1948, for Chairman McCabe's signature to the Honorable James E. Webb, Director, Bureau of the Budget, reading as follows:

"In response to the portion of the President's letter of November 6, 1948, in regard to the legislative proposal of the Federal Reserve System, there are set forth below the principal subjects with respect to which the Board of Governors expects to propose legislation.

"Reserve Requirements of Banks. - In Public Law No. 905, approved August 16, 1948, Congress authorized the Board of Governors, in order to prevent injurious credit expansion, to increase the reserve requirements of member banks of the Federal Reserve System within certain prescribed limits. This authority was coupled with a provision that no change in reserve requirements thus

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"authorized should continue in effect after June 30, 1949. The Board had not only recommended authority of longer duration but also of broader scope. Therefore the Board expects to propose a more appropriate measure for dealing with bank reserves in order to enable the System to cope more effectively with the problem that otherwise would be presented by the expiration of the authority referred to above. The subject is being given very thorough consideration with a view to the formulation of a recommendation at a later date when the present economic trends may be evaluated more accurately.

"Consumer Instalment Credit. - In Public Law No. 905, approved August 16, 1948, the Congress also authorized the Board to exercise certain controls with respect to consumer instalment credit in accordance with Executive Order 8843, up to and including June 30, 1949. The Board recommended an authority of longer duration. The Board expects to propose that the authority over consumer instalment credit be extended or made permanent by appropriate legislation formulated in the light of experience under the existing regulation. The manner in which this might be done most appropriately is receiving consideration with a view to the introduction of a bill embodying the Board's conclusions during the early part of the next session.

"Bank Holding Company Legislation. - A bill for the purpose of providing for the further control and regulation of bank holding companies, S. 829, was reported favorably by the Senate Banking and Currency Committee in the 80th Congress (Report No. 300, June 19, 1947). A companion bill, H.R. 3351, was introduced in the House and referred to the House Banking and Currency Committee. Since then, the details of the bill have been undergoing an intensive review and a similar bill, not varying substantially from the provisions of S. 829, is in course of preparation for presentation at the next session of the Congress. Such legislation is favored not only by the Board of Governors but also by the Federal Advisory Council, the Association of Reserve City Bankers and the two independent bankers' associations, as well as by the majority of the larger bank holding companies. The American Bankers Association has recently adopted a resolution urging the prompt enactment of legislation on this subject. The subject matter of this bill has been discussed from time to time with the Treasury Department and the Federal Deposit Insurance Corporation.

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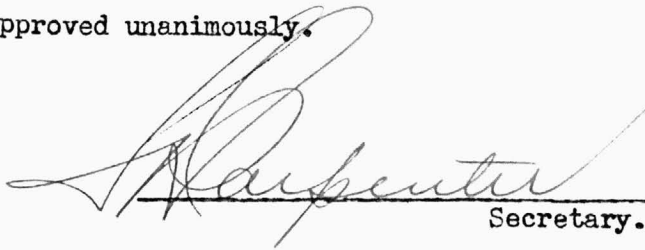
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"Loans to Business Enterprises. - A bill, S. 408, proposed by the Board of Governors, providing for guarantees to Federal Reserve Banks of loans by banking institutions to business enterprises, was reported favorably by the Senate Banking and Currency Committee in the 80th Congress (Report No. 145, April 28, 1947) and a companion bill, H.R. 3268, was introduced in the House and referred to the House Banking and Currency Committee. The subject matter is under review by the Board for the purpose of determining what proposal will be appropriate for submission to the Congress at the next session. The Treasury Department is interested in certain aspects of this bill, which involves section 13b of the Federal Reserve Act.

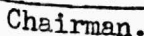
"Capital Requirements of State Member Banks of the Federal Reserve System. - The Board of Governors in its Annual Reports to the Congress has called attention to the very substantial and unnecessary impediment to membership in the Federal Reserve System involved in certain statutory capital requirements for admission to membership and for the establishment of out-of-town branches of State member banks. It has proposed that these requirements be eliminated or very substantially modified and a bill with this purpose in view is in the course of preparation. The Comptroller of the Currency and the Federal Deposit Insurance Corporation have an interest in the subject matter of this legislation.

"While there may be other matters with respect to which the Board would later find it desirable to recommend some action by the Congress during the forthcoming session, the foregoing subjects embrace the principal matters in the field of possible legislative action to which the Board is now giving attention from the standpoint of its responsibilities in the banking field."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.