

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, December 7, 1948. The Board met in the Board Room at 10:30 a.m.

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

Mr. Carpenter, Secretary
 Mr. Morrill, Special Adviser
 Mr. Thurston, Assistant to the Board
 Mr. Thomas, Director of the Division of Research and Statistics
 Mr. Nelson, Director of the Division of Personnel Administration
 Mr. Solomon, Assistant General Counsel
 Mr. Wood, Economist, Division of Research and Statistics

The statement was made that Mr. Evans was absent for the purpose of presiding as hearing officer at the hearing in the Clayton Act proceeding instituted by the Board against Transamerica Corporation, and that when the taking of evidence in the hearing got under way he would be absent from the meetings of the Board a considerable portion of the time.

There was then presented a memorandum dated December 3, 1948, from the Personnel Committee reading as follows:

"It is recommended that the Board give a Christmas Party for all employees of its staff during Christmas week, that the expenses of the Party be defrayed by the Board, and that an increase be made in the miscellaneous

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"classification of the budget of the Division of Personnel Administration in an amount sufficient to cover this expenditure.

"It is contemplated that the Party will be held between the hours of 4:00 p.m. to 7:00 p.m. on December 23, 1948, and that a buffet luncheon be served and entertainment arranged by a committee of staff members to be selected by the Division of Personnel Administration.

"This type of party is recommended because of the limited seating facilities in the cafeteria which would preclude the serving of a full course dinner.

"The President of the Reserve Board Club has indicated that the Club would postpone its annual Christmas Party if it is decided that the Board will provide a party for all employees of its staff and would probably set a later date during the holidays for a Club party at which time they would appreciate the use of the facilities of the cafeteria."

Following a statement by Chairman McCabe of the reasons for the above recommendation, Mr. Clayton moved that the recommendation be approved with the understanding (1) that the Personnel Committee would be authorized to approve such program for the party as in its judgment seemed desirable, and (2) that, as suggested in the last paragraph of the memorandum, the facilities of the cafeteria would be made available for the Reserve Board Club for a party to be sponsored by the Club on a suitable date during the holidays.

Mr. Clayton's motion was put by the Chair and carried unanimously.

Before this meeting there were distributed to the members of the Board copies of a memorandum dated December 6, 1948, from Messrs. Young and Wood, Associate Director and economist, respectively, in the Division of Research and Statistics, and Mr. Solomon, Assistant General Counsel, with further reference to proposals for amendments to the law to authorize the Federal Home Loan Banks and the Federal

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Savings and Loan Insurance Corporation to borrow from the Treasury. The memorandum reviewed the background for the proposals, which were last discussed at the meeting of the Board on November 9, 1948, and reasons for the suggestion that, if the Government was to assure savings of loan associations of the liquidity contemplated by the proposed amendment, it should first require the associations to take steps to maintain an appropriate degree of liquidity and should subject them to some regulation of their lending policies, particularly in inflationary periods. It also stated that such an arrangement would require that savings and loan associations (1) hold cash and Government securities in specified amounts, (2) limit the amount of their mortgage loans, (3) regulate the rate of repayment of their mortgage loans, and (4) limit the extent of their borrowings from banks and similar sources, it being understood that by varying the requirements under each of these four heads the regulatory agency would be able, within whatever limits might be set by the statute, to prevent undue expansion of mortgage credit by savings and loan associations, and at the same time assure the associations of at least a minimum of cash and ready assets in case a run developed. The memorandum also submitted a draft of legislation covering these requirements and recommended (1) that the Board inform the Bureau of the Budget, the Housing and Home Finance Agency, and the Home Loan Bank Board that the draft was the Board's reply to the request of the Bureau of the Budget for a statement of the conditions under which

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the Board would not object to legislation authorizing the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation to borrow from the Treasury, (2) that the Board authorize the staff to enter into such discussions with the staffs of the three agencies as may be necessary to draft a bill which was technically workable and equitable and which carried out the objectives of the draft, and (3) that copies of the draft and of the letters of transmittal be sent to the Treasury and the Federal Deposit Insurance Corporation for their information.

The memorandum and draft of legislation were read and certain changes in the draft were suggested and agreed upon.

Mr. Clayton stated that he would recommend that the Board inform the Bureau of the Budget that the Board was prepared to submit to the Bureau and such others as the Bureau might suggest the draft of legislation agreed upon at this meeting.

Upon motion by Mr. Vardaman, Mr. Clayton's recommendation was approved unanimously.

Mr. Eccles suggested that the Board should advise the American Bankers Association, the Federal Advisory Council, and the Association of Reserve City Bankers of developments in connection with the above matter, and that, if these organizations were not willing to support the position taken by the Board in the draft of legislation as agreed upon at this meeting, there was some question whether the Board should continue the opposition it had expressed in the

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past of adoption of legislation authorizing the Federal Home Loan Banks and the Federal Savings and Loan Insurance Corporation to borrow from the Treasury.

Mr. Clayton stated that the Board had not yet reached the point where it was in a position of supporting legislation before the Congress, as the draft would first have to be discussed with the Budget Bureau and representatives of the Home Loan Banking System. Only when there was agreement at that level, he said, would it be necessary to take the matter up with the American Bankers Association, the Federal Advisory Council, and the Reserve City Bankers Association, and if there were any hesitancy on the part of these agencies to support the Board's position the whole matter could be reconsidered by the Board.

During the discussion referred to above Mr. Evans; Mr. Thurston, Assistant to the Board; Mr. Vest, General Counsel; Mr. Townsend, Solicitor; and Mr. Hodge, adviser to the hearing officer in the Clayton Act proceeding against Transamerica Corporation, joined the meeting and Mr. Wood withdrew.

Mr. Evans stated that at the hearing of the Clayton Act proceeding against Transamerica which opened this morning, counsel for the Corporation filed and asked for oral arguments on the following motions:

1. Motion that complaint be dismissed and notices of hearing quashed and vacated for improper venue, insufficiency of allegations, and failure to comply with Administrative Procedure Act.

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2. Motion to dismiss for lack of due process of law.
3. Motion that complaint be dismissed for lack of jurisdiction.

Mr. Evans also said that these motions were of a character that called for consideration by the Board and that they had been turned over to the Secretary of the Board for that purpose.

Mr. Townsend stated that Mr. Stewart, Counsel for Trans-america Corporation, had requested an opportunity for oral argument on the motions, that he (Mr. Townsend) joined in that request, that Mr. Stewart had stated that he would like to present his argument in support of the motions at the earliest possible time, and that it had been indicated to him that the Board might be in a position to hear the arguments either Friday afternoon, following the conference of the Chairmen of the Federal Reserve Banks, or Monday morning, December 13, 1948. Mr. Stewart had indicated a preference, Mr. Townsend said, for Monday morning as the time for the argument.

Mr. Vardaman stated that he would have to be absent in Chicago on Monday to fill an engagement that he had made before the date of the hearing in this proceeding had been fixed.

Mr. Townsend responded that in the absence of a member of the Board, the usual thing in a proceeding of this kind was to ask counsel for the other side whether he would object to the absent

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member reading the record of the oral argument and then voting on the decision to be made by the Board.

At the conclusion of a discussion, Mr. Vardaman stated that he would like to be present when the oral arguments on the motions were presented and that, therefore, he would move that the time for the argument be set for the afternoon of Friday, December 10, 1948.

Mr. Vardaman's motion was put by the Chair and carried. Messrs. Eccles and Clayton did not participate in the consideration of or action on this matter.

In connection with the above, Mr. Townsend stated that during the proceeding this morning Mr. Evans had adjourned the hearing until 10:30 a.m. of the tenth day after the Board issued its decision on the motions filed today and that, inasmuch as it would take some time after the oral arguments to prepare the decision and opinion of the Board in connection therewith, it was likely that the hearing would not be resumed until after the first of the year which, it was understood, was agreeable to counsel for Transamerica Corporation.

At this point all of the members of the staff, with the exception of Mr. Carpenter, withdrew from the meeting.

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The following memorandum addressed to the members of the Board by the Secretary under date of October 13, 1948, was read:

"Chairman McCabe has discussed with me ways in which we could get better results from the present procedure under which subjects are assigned to individual members of the Board for primary consideration and ways in which we could expedite somewhat the discussions at our meetings. To that end he has asked me to present the following suggestions to the members of the Board for their consideration prior to discussion at a meeting.

"1. From time to time in the past matters have been placed on the agenda by a member of the Board because he had some question about it which he wanted to discuss. In many of these cases it would have been possible to answer the member's question by a discussion with the appropriate members of the staff or the member of the Board whose assignments included the subject matter, without the necessity of taking the time of all of the members of the Board. While there is no desire to discourage useful discussion in any way, it is suggested that it would be helpful in saving the time of the members of the Board if, before a member requests that something be placed on the agenda because he has a question about it, he would discuss it with appropriate members of the staff or the member of the Board primarily concerned, in an effort to answer his question. Of course, if after such a discussion the member still had a question which he wanted considered by the Board, the item could then be placed on the docket.

"2. The Board's dockets have also included items presenting questions falling within the subjects assigned to members of the Board for primary consideration, but which have not been accompanied by a recommendation of the member of the Board primarily concerned as to the action to be taken.

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"The disposition of such matters would be expedited considerably if, in each such case, the member of the Board to which the subject matter has been assigned would either make a recommendation as to the action to be taken by the Board, or (in the event he does not feel, because of the particular circumstances involved, that he is prepared to make such a recommendation) as to the procedure to be followed in determining the action to be taken.

"3. Much time is lost at meetings of the Board in discussing matters without having clearly in mind the background or the basis upon which the matter is before the Board for consideration. It is believed that discussions at Board meetings would be more pointed and our conclusions would be reached more rapidly if, as a preliminary to discussion of each of the items on the agenda, an introductory statement were made by the Secretary of the basis upon which the matter is before the Board and by the appropriate division head of the problem involved."

After a brief discussion, upon motion by Mr. Vardaman, it was agreed unanimously that a copy of the memorandum would be furnished to each member of the Board and that the procedure outlined in the memorandum would be used as a suggested guide in connection with future meetings of the Board.

The following letter, prepared in accordance with the discussion at the meeting of the Board yesterday, to the Assistant Director of the Bureau of the Budget was approved unanimously:

"This refers to your letter of November 23, 1948, to Chairman McCabe, requesting an expression of the Board's views with respect to a draft of bill 'To increase the rate of compensation of heads and assistant heads of executive departments and of other officers'.

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"The Board is in full agreement with the general objective of this measure. It feels, however, that the differentials in salary levels proposed in the bill would be distinctly prejudicial to the Federal Reserve System.

"When the Federal Reserve System was established in 1913 as the governmental agency charged with primary responsibility for national monetary and credit policies, Congress specified, for the then-as-now full-time Reserve Board members, salaries equal to those of Cabinet heads. Subsequently, though not concurrently, salaries of Cabinet officers and of Reserve Board members were increased to \$15,000, the levels at which all are at present.

"It has been recognized from the beginning of the System that the salaries of members of the Board could not be as high as those of the top executive officers of the Federal Reserve Banks notwithstanding the fact that the responsibilities of the Board include general supervision of the Reserve Banks. The reason for this relationship has been that the salaries of the senior officers of the Reserve Banks (the salaries of the Presidents of the Banks range from \$25,000 to \$50,000 per annum) are determined not only on the basis of the public character of the Banks but also of the higher salaries paid in large private banks in the respective cities in which the Reserve Banks are located. However, Congress has always followed a policy of providing salaries for members of the Board at the top of the salary scale for the departments and agencies of the Government.

"The bill proposes to increase Cabinet officer salaries to \$20,000 and to place those of members of this Board in a \$16,500 category, while raising to \$18,000 Under Secretaries, the Comptroller General, the Budget Director, the Administrator of Veterans' Affairs, the Federal Security Administrator, the Chairman of the Atomic Energy Commission, the Housing and Home Finance Administrator, the Federal Works Administrator, and, at the discretion of the President, the National Security Council, the National Security Resources Board, the Council of Economic Advisers, and certain positions in the President's executive office. Such a classification would imply an opinion that the status and responsibilities of the Board of Governors of the Federal Reserve System have become relatively less than those of all the other officials mentioned. It could not do otherwise than to affect adversely the relationships of the Board not only in Washington but also with the Federal Reserve Banks and the commercial banking

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"system of the country. The Board does not perceive the reasons for thus substantially reversing the position taken by Congress with respect to the Board throughout its entire history.

"If the responsibilities and public services rendered by the Federal Reserve System had diminished over the years the logic of the realignment of salary relationships proposed in the bill would be understandable. The fact is that the powers and responsibilities of the Board and of the nation-wide system which the Board supervises have steadily and greatly enlarged not only in the absolute sense, but relative to many other Federal agencies. During, and particularly since the war, the rapid growth in the nation's banking structure, the magnitude of the public debt, and the problem of its management, have made central banking operations of critical importance under current and prospective economic conditions in this country.

"Accordingly, the Board feels that the proposed subordination of the System in salary status would be detrimental to the System's best interests and can not be justified in the light of the facts or of the objective. The maintenance of Board salaries at levels comparable with those existing throughout practically all of the Board's 35 years of existence would entail no charge on the Federal budget."

Mr. Eccles withdrew from the meeting at this point.

Reference was made to a letter received by Mr. Riefler, Assistant to the Chairman, under date of November 22, 1948, extending an invitation to him to serve as a member of a panel on the subject "The World Dollar Shortage and What Is Back Of It" at the annual meeting of the National Farm Institute to be conducted by the Des Moines Register and Tribune at Des Moines, Iowa, on February 18-19, 1949. The invitation had been discussed by the Personnel Committee, at which time Mr. Vardaman questioned the desirability of members of the Board other than the Chairman and members of its staff making public addresses at this time.

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Mr. Evans stated that he was thoroughly familiar with the National Farm Institute and felt that it would be highly desirable for Mr. Riefler to accept the invitation.

X Mr. Vardaman stated that he felt strongly that the members of the Board and the staff were making too many public addresses, that he was not questioning the merit or standing of forums conducted by various newspapers throughout the country, but that he felt the next six months would be an extremely important period in the history of the System, and that for that reason only the Chairman should undertake to speak for the Board. Having that view, he said, he was developing information on the official travels of the Board and its staff during the twelve months period ending November 30, 1948, and as soon as the data were available he proposed to submit a recommendation that Mr. Thurston be asked to prepare a program for travel by members of the Board and the staff during 1949. He added that under such a program official travel would be undertaken in accordance with a coordinated plan which would carry a representative of the Board each year to the major areas of the country and bring to the Board the greatest possible benefit from such travel.

Mr. Evans suggested that whatever schedule might be adopted by the Board in carrying out an arrangement along the lines proposed by Mr. Vardaman, it was believed that participation in the National Farm Institute was of sufficient importance to justify its inclusion.

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Mr. Vardaman emphasized that he was not objecting to such participation but felt that the decision when the travel should be undertaken should be based on a coordinated program.

After some further discussion, Mr. Draper moved that Mr. Riefler be authorized to accept the invitation to participate in the panel before the National Farm Institute.

Mr. Draper's motion was put by the Chair and carried unanimously.

Mr. Evans stated that yesterday evening he and Chairman McCabe went to a meeting of bankers in Winchester, Virginia, which was also attended by about 150 officers and directors of banks in the area, and that it was one of the most worthwhile meetings from the standpoint of the public relations of the Board that he had attended in a long time.

Chairman McCabe stated that he had come to the conclusion that it would be extremely helpful if the Board would work out an arrangement which would provide for visits by members of the Board to the Federal Reserve Banks at the time of the meeting of the combined head office and branch directors, at which time a group of outstanding businessmen and bankers in the district could be invited to attend an off-the-record discussion of some of the principal problems with which the Federal Reserve System was faced. He said that, on the basis of his experience at several of the Federal Reserve Banks, he was satisfied that a meeting of this kind created a tremendous amount

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of good will for the System which radiated through the entire Federal Reserve district.

Mr. Clayton said that there was feeling in some quarters on the outside that members of the Board stayed too close to Washington, and that if only the Chairman made public addresses on behalf of the Board that feeling might be encouraged.

Mr. Vardaman stated that he was not suggesting that members of the Board make no speeches, but that during the period prior to the adjournment of the forthcoming session of Congress or until it was possible to ascertain what legislation would be passed by the Congress in that session, there should not be any speeches by the members of the Board other than the Chairman, who should speak for the Board.

Mr. Szymczak suggested that the Board should rely on individual members to exercise sound judgment as to when and where they should make public addresses.

Mr. Vardaman stated that when he received the information with respect to travel during the past 12 months, to which he referred earlier in this meeting, he would propose that a coordinated program of travel be adopted.

Mr. Szymczak stated that he had received invitations to speak on three or four different occasions in the relatively near future, two of which were extended to him by the organizations involved at the suggestion of Chairman McCabe, and that he would like to know

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whether the Board planned to make any change in the understanding now in effect that members of the Board would be free to accept such invitations as appeared to them to be justified.

Chairman McCabe suggested that it be understood that there would be no restriction on the acceptance by members of the Board of invitations to speak "off the record", and that when set speeches were to be made it be understood that the other members of the Board would be furnished with copies so they would know what the speech would contain.

This suggestion was discussed but no action was taken with respect to it.

At the conclusion of the discussion, Chairman McCabe stated that the present arrangement would remain unchanged for the time being and that if later Mr. Vardaman wished to propose something along the lines he had indicated at this meeting, the Board would be glad to consider it.

At this point Mr. Townsend came back into the meeting and stated that he had informed Mr. Stewart, Counsel for Transamerica Corporation, of the time proposed by the Board for the hearing of the oral arguments on the motions filed by the Corporation today, and that Mr. Stewart had expressed a decided preference for a morning argument and had suggested that, if Mr. Vardaman found it impossible to be present at a morning session, he be allowed to read

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the written record of the arguments and, on the basis of the record, to participate in the decision of the Board on the motions.

The matter was discussed and, upon motion by Mr. Vardaman, the following order was approved. Messrs. Eccles and Clayton did not participate in the consideration of or action on this matter:

"UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

"IN THE MATTER OF
TRANSAMERICA CORPORATION

"ORDER

"It appearing to the Board that, at the opening of the public hearings of the above-entitled matter, respondent filed three separate motions and requested oral argument thereon before the Board prior to the taking of any testimony in the proceeding, it is by the Board

"ORDERED that oral argument before the Board be presented on Saturday morning, December 11, 1948, at 9:30 a.m., in Room 1202 of the Board's offices in Washington, D. C.

"IT IS FURTHER ORDERED that counsel for respondent and counsel for the Board each be allowed one hour and thirty minutes in which to present such oral argument.

"IT IS FURTHER ORDERED that such oral argument be confined to a discussion of the issues raised by the following motions filed herein by respondent:

1. Motion That Complaint Be Dismissed and Notices of Hearing Quashed and Vacated for Improper Venue, Insufficiency of Allegations and Failure to Comply with Administrative Procedure Act.
2. Motion to Dismiss for Lack of Due Process of Law.
3. Motion That Complaint Be Dismissed for Lack of Jurisdiction.

"By the Board."

At this point Mr. Townsend 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 December 6, 1948, were approved unanimously.

Memorandum dated December 1, 1948, from Mr. Nelson, Director of the Division of Personnel Administration, stating that Mr. Smead, Director of the Division of Bank Operations, who would attain retirement age of 65 in February 1949, had filed an application for optional retirement effective January 1, 1949.

Noted.

Memorandum dated December 7, 1948, from Mr. Townsend, Solicitor, and Mr. Vest, General Counsel, recommending the transfer of G. Howland Chase, an Assistant Counsel in the Legal Division, to the Office of the Solicitor as an attorney, effective immediately.

Approved unanimously.

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

"In accordance with the request contained in your letter of November 29, 1948, the Board approves the appointment of Richard Joseph Ginnane as an assistant examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment is made effective and also as to salary rate."

Approved unanimously.

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

"In a recent conference with members of the Board's staff, Mr. H. R. Sackett, a director of Gary Trust and Savings Bank, Gary, Indiana, requested that Mr. L. A. O'Donnell be permitted to continue to serve as a director of that bank, although he is an employee of Strauss and Blosser, Chicago, Illinois, a firm primarily engaged in the securities business.

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"Mr. Sackett described in detail the situation with respect to the management of the bank which he felt made it important that Mr. O'Donnell continue as a director. He in effect conceded, however, that unless the Board makes an exception covering this case, Mr. O'Donnell's service as a director is prohibited by section 32 of the Banking Act of 1933, as amended. He therefore urged that such an exception be made, stating that none of the abuses at which the statute was directed exist in this instance and that the violation is purely technical. In this connection, he said that Mr. O'Donnell has not sold securities to the bank (with one minor exception) and that his connection with Strauss and Blosser does not influence the investment policy of the bank or the investment advice which the bank gives its customers. He also emphasized the fact that Mr. O'Donnell has nothing to do with the management of Strauss and Blosser and is merely a part-time salesman for that firm, serving as its representative in Gary in addition to other work.

"Under section 32, the Board has authority to make exceptions by general regulations covering limited classes of cases but is not authorized to make individual exceptions. Regulation R now prescribes only one minor exception and the Board has consistently declined to make other exceptions. From time to time, particular cases have been brought to the Board's attention where it was felt that improper action was highly improbable and that the application of section 32 resulted in some hardship. However, section 32 is aimed at relationships which present the opportunity for improper action, regardless of whether abuses actually exist in specific cases. As stated by the Supreme Court in the Agnew-Fayerweather case:

'Section 32 is not concerned, of course, with any showing that the director in question has in fact been derelict in his duties or has in any way breached his fiduciary obligation to the bank. It is a preventive or prophylactic measure. The fact that respondents have been scrupulous in their relationships to the bank is therefore immaterial.'

"While the Board fully appreciates the reasons for the desire to retain Mr. O'Donnell as a director and recognizes that abuses may not result in this instance, it does not believe that it can properly amend Regulation R to make an exception broad enough to include this case. It will be appreciated if you will advise the bank accordingly."

Approved unanimously.

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Letter to The State National Bank of Texarkana, Texarkana, Arkansas, reading as follows:

"This refers to your correspondence with the Federal Reserve Bank of St. Louis concerning the holding company affiliate status of Commercial Investment Company.

"Commercial Investment Company is a holding company affiliate of The First National Bank in Ashdown, Ashdown, Arkansas, because it owns more than fifty per cent of the bank's stock. It is understood that all of the stock of Commercial Investment Company is held by the president of The State National Bank of Texarkana under a verbal declaration of trust for the benefit of the stockholders of that bank; and, from the available information, it appears that The State National Bank of Texarkana may also be a holding company affiliate of The First National Bank in Ashdown.

"However, it is understood that except for the fact that Commercial Investment Company owns a small amount (less than three per cent) of the stock of The State National Bank of Texarkana, and that The State National Bank of Texarkana may hold some bank stock in fiduciary capacities in the normal course of its trust business, neither Commercial Investment Company nor The State National Bank of Texarkana directly or indirectly owns or controls any stock of, or manages or controls, any banking institution other than The First National Bank in Ashdown. In view of these facts, the Board has determined that Commercial Investment Company and The State National Bank of Texarkana are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended; and, accordingly, these organizations are not holding company affiliates for any purposes other than those of section 23A of the Federal Reserve Act.

"The Board reserves the right to make a further determination at any time on the basis of the then existing facts, and if there should be such a change in the facts as to indicate that either The State National Bank of Texarkana or Commercial Investment Company might be deemed to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, this matter should again be submitted to the Board."

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Approved unanimously, together with a letter to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of November 26, 1948, relating to the holding company affiliate status of Commercial Investment Company, Texarkana, Arkansas.

"As stated in the enclosed letter, it appears from the available information that The State National Bank of Texarkana, Texarkana, Arkansas, as well as Commercial Investment Company, may be a holding company affiliate of The First National Bank in Ashdown, Ashdown, Arkansas; and we have treated it as such, although it appears unnecessary to reach a definite conclusion with respect to the matter at this time in view of the determination referred to below.

"There is enclosed, for transmittal, a letter advising The State National Bank of Texarkana that the Board has determined that it and Commercial Investment Company are not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, and that therefore neither organization is a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. A copy of the letter is enclosed for your files."

Telegram to the officers in charge of the administration of Regulation W at all Federal Reserve Banks reading as follows:

"Request has been received for exemption of taxicabs from some or all requirements of Regulation W. Exemption based on design of vehicle only would seem unworkable, but exemption based on special regulatory requirements applicable to title, license and insurance of taxicabs is being studied. Some such basis for exemption might prove adequate standard under which to differentiate other automobiles used commercially. We believe that any basis for exemption of taxicabs should provide a standard which would be generally applicable throughout the country and which could be made an easily verifiable part of the record of instalment sales. Would you please obtain and forward to us opinion of Reserve Bank Counsel as to provisions of special State laws or regulations, if any, in those

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"States whose capitals are in your district, governing (1) registration of or ownership title to taxicabs; (2) licenses or permits for taxicab operators; and (3) insurance requirements for taxicab operators. Solomon and Shay of Board's Legal Division will be available to discuss this matter by telephone with your Counsel if desired. Would also appreciate your views for or against such a possible exemption as here suggested. Please consider this matter as confidential."

Approved unanimously.

Letter to Mr. Alfred Goldstein, Esq., 402 - 6th St., N. W., Washington, D. C., reading as follows:

"This refers to your letter of October 28, 1948, and its enclosures, concerning the application of Regulation W to extensions of instalment credit in connection with the sale of taxicabs. Your letter was written following a discussion on the above matter, and in pursuance of an understanding for a written submission of your views expressed at a meeting on October 25, 1948, in the Board's offices between you, your client, Mr. Sterling, and Messrs. Lewis, Pawley, and Heath of the Board's staff.

"As indicated to you by its letter of September 14, 1948, the Board on numerous, previous occasions has given consideration and study to the question raised by you and has decided consistently that it would be undesirable to attempt to exclude taxicabs from coverage under the regulation. The principal reasons for the Board's position are set forth in that letter. However, in the light of matters developed at the meeting on October 25, 1948, and the material submitted with your letter of October 28, 1948, the Board is giving further study to the matter in question."

Approved unanimously.

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

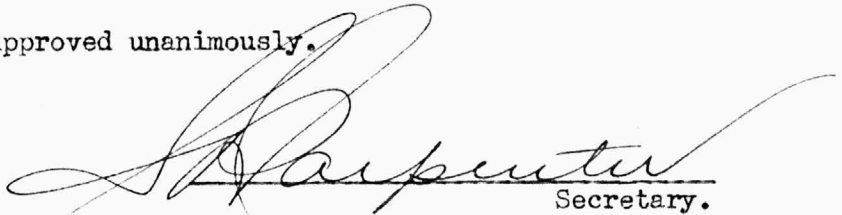
"Reference is made to your letter of November 15, 1948, in which you advised that it appears the actual expenses for 1948 at your head office and branches will exceed budget estimates for the year as follows:

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<u>"Function</u>	<u>Head Office</u>	<u>Los Angeles Branch</u>	<u>Portland Branch</u>	<u>Salt Lake City Branch</u>	<u>Seattle Branch</u>
General Overhead	\$56,000	\$ 2,325	\$1,906	\$2,746	
Provision of Space	20,000		4,389	8,281	\$ 3,100
Furniture and Equipment			4,400		
Provision of Personnel	20,000				
General Service	3,000				4,500
Postage and Expressage	5,000	9,578	3,697	3,113	4,950
Stock of Supplies	7,000		5,000	308	
Insurance	400	280	460	253	400
Securities	1,900		330		
Currency and Coin	20,701	16,085	7,379	2,217	6,100
Check Collection		21,400			34,400
Noncash Collection					800
Accounting	8,785			4,544	
Planning				189	210
Legal	4,500				
Bank and Public Relations	9,000	3,405	2,412		
Auditing	8,102				
Bank Examination	24,567				
Federal Reserve Note Issues			1,098		
Research and Statistical Foreign	11,000			839	
Fiscal Agency	66,000				

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

Approved unanimously.


Secretary.

Approved:


Chairman.