

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 10, 1949.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 7, 1949, were approved unanimously.

Memorandum dated January 10, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Fred Jones as a laborer in that Division, on a temporary basis for a period of two months, with basic salary at the rate of \$2,020 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Letter to the Rhode Island Hospital Trust Company, Providence, Rhode Island, reading as follows:

"This refers to your letters of December 22 and 31, 1948, to the Federal Reserve Bank of Boston, relating to the holding company affiliate status of your company.

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"In its letter of November 12, 1935, to your company, the Board advised you that it had determined that your company was 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. In the Board's letter, the facts were summarized as follows:

'The Board understands that your company owns substantially all of the stock of Rhode Island Hospital National Bank of Providence; that such bank was organized by your company in 1933 to take over the business of the commercial banking department of your company; that the stock of such bank constitutes less than 10% of the assets of your company; that such bank is engaged primarily in commercial banking business and your company is engaged primarily in trust and savings business; that your company holds, among its investments, stock of a number of other banks but such stock constitutes a relatively small part of your company's assets and your company does not manage or control any of such banks; and that your company was not organized and is not operated for the purpose of managing or controlling banks.'

"It now appears that your company has recently purchased at least 90 per cent of the outstanding shares of stock of The National Bank of Commerce and Trust Company of Providence, Providence, Rhode Island; but that it is contemplated that the bank will be placed in voluntary liquidation effective at the close of business on January 31, 1949, with its savings business and commercial business being transferred at that time to your company and Rhode Island Hospital National Bank of Providence, respectively, and its remaining affairs, including the disposition of its trust business, being thereafter administered by a liquidating agent. It is understood that otherwise the facts recited in the Board's letter of November 12, 1935, remain unchanged (aside from an increase some years ago in your company's investment in the stock of Rhode Island Hospital National Bank of Providence, which does not appear significant).

"The Board is of the opinion that the fact that your company temporarily controls The National Bank of Commerce and Trust Company of Providence under the circumstances recited above does not require the revocation of the determination made concerning it in 1935, and the Board

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"hereby reaffirms that determination. Accordingly your company continues to be a holding company affiliate only for the purposes of section 23A of the Federal Reserve Act.

"As stated in the Board's letter of November 12, 1935, however, if your company acquires control of any other bank, or the facts should at any time differ from those stated above to an extent which would indicate that your company might be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, this matter should again be submitted to the Board. The Board reserves the right to make a further determination of this matter at any time on the basis of the then existing facts."

Approved unanimously, for transmission through the Federal Reserve Bank of Boston.

Letter to the "Farmers & Merchants National Bank of Rensselaer", Rensselaer, Indiana, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, and administrator, the exercise of such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Letter prepared for Chairman McCabe's signature to the Honorable Leverett Saltonstall, United States Senate, reading as follows:

"This refers to the enclosed letter, dated December 27, 1948, from Mr. R. H. Taylor, President of the Florence Stove Company, Gardner, Massachusetts, on the subject of

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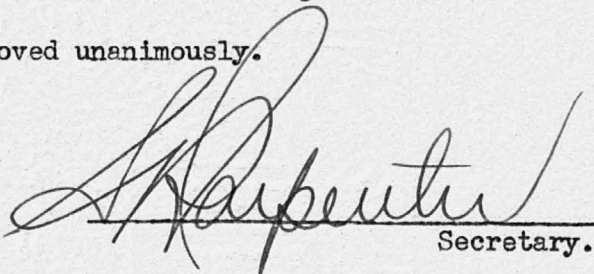
"Regulation W, which you directed to this office with your communication of December 31. Your constituent recommends that the regulation be withdrawn on commodities produced by the stove industry.

"Regulation W was designed as a flexible measure with the idea that it could be adapted, from time to time, to changing economic and credit conditions by means of changes in the down payment and maturity provisions, rather than by eliminations from, or additions to, the list of articles that are subject to the regulation. We have felt that, in view of the general objectives of the regulation, the restoration of an ample supply condition in a specific product classification, such as cooking stoves, would not in itself justify removal of the credit restrictions from that product, if the general economic and credit situation warranted the continuation of restraints on instalment credit terms.

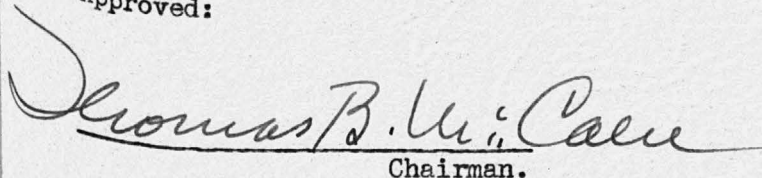
"With regard to changes in the down payment and maturity provisions, the regulation should be viewed as but one part of a broad program designed to prevent economic instability to the extent this can be accomplished through monetary and credit measures. For this reason, decisions to change the provisions of the regulation must be related to the over-all credit and economic situation. On that score, the Board has not considered that the time has yet come to relax the provisions of the regulation, although it is watching the situation closely with a view to taking prompt action if it is warranted.

"We appreciate your bringing your constituent's views to our attention. They will be considered in our continuing study of the scope and effect of the regulation."

Approved unanimously.


Secretary.

Approved:


Chairman.