Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, January 14, 1949. The Board met in the Board Room at 10:35 a.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Szymczak
Mr. Draper
Mr. Evans
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. Thomas, Director of the Division of Research and Statistics
Mr. Vest, General Counsel
Mr. Leonard, Director of the Division of Bank Operations

There were presented telegrams to the Federal Reserve Banks of Boston, New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on January 11, by the Federal Reserve Bank of San Francisco on January 12, by the Federal Reserve Banks of New York, Cleveland, Richmond, Chicago, St. Louis, Minneapolis, Kansas City, and Dallas on January 13, 1949, and by the Federal Reserve Bank of Boston today of the rates of discount and purchase in their existing schedules.

Approved unanimously.
Mr. Clayton stated that because of their absence from the city he had not been able to arrange a meeting with Comptroller of the Currency Delano and Chairman Harl of the Federal Deposit Insurance Corporation for the purpose of discussing questions involved in considering applications for foreign branches of American banks, in accordance with the understanding at the meeting on November 16, 1948, but that on Monday of this week he and Mr. Szymczak discussed the matter with Deputy Comptroller of the Currency Robertson and Federal Deposit Insurance Corporation Director Cook who was accompanied by Mr. Bakke of the General Counsel's office of Federal Deposit Insurance Corporation. Mr. Clayton reviewed the discussion at that meeting of the relationship of the application of Bank of America N.T. & S.A. for permission to establish a branch in Siam to the Clayton Act proceeding against Transamerica Corporation. He also said that Mr. Cook did not indicate when a reply to the Board's letter of November 30, 1948 to the Federal Deposit Insurance Corporation on this question would be received, but suggested it might be desirable for the Board of Directors of the Federal Deposit Insurance Corporation to meet with the Board of Governors to discuss the matter.

Messrs. Townsend, Solicitor, Millard, Director of the Division of Examinations, and Wilkes, Federal Reserve Examiner in the Division of Examinations, entered the meeting at this time.
Mr. Clayton also stated that in the discussion with Messrs. Robertson and Cook he said that, aside from the legal problem, the Board was interested in other considerations in connection with foreign branch applications, such as the applicant's capital position, lending policies, policies relating to the management of branches already established, rapidity with which the number of foreign branches should be permitted to grow, and the character of American banks which operated foreign branches, and that as a result of the discussion he had asked the Division of Examinations to prepare comparative ratios for the American banks operating foreign branches.

Mr. Millard made a preliminary report of the ratios which indicated that the capital position of Bank of America was substantially lower in relation to either risk assets or deposit liabilities than that of any other American bank operating foreign branches.

Mr. Szymczak stated that information prepared by the Board's Division of Research and Statistics, as well as that submitted by the Federal Reserve Bank of San Francisco, in response to the requests made pursuant to the action at the meeting of the Board on November 16, 1948, indicated the desirability of establishing a branch of an American bank in Siam, and that representatives of the State Department had telephoned on several occasions to inquire about the Bank of America's application and had said that the State
Department was anxious to have a branch of an American bank in Siam.

In the discussion that followed, question was raised as to whether American banks other than Bank of America N.T. & S.A. were interested in establishing a branch in Siam, and it was stated that the Board had no information to that effect.

Following the discussion, Mr. Szymczak stated that he and Mr. Clayton would study the matter further and report back to the Board.

Messrs. Millard and Wilkes left the meeting at this point.

Mr. Clayton referred to the letter approved at the meeting of the Board on December 23, 1948, to Mr. Needham, General Counsel of the American Bankers Association, stating that the Board would not now favor legislation to permit national banks to convert into or consolidate with State banks. He also referred to his conversation with Chairman Hard of the Federal Deposit Insurance Corporation as reported at the meeting on December 23, 1948, and to the latter's suggestion that the matter be discussed with Mr. Rapport, Chairman of the Executive Committee of the National Association of Supervisors of State Banks, before the letter was mailed. Mr. Clayton stated that he had called Mr. Rapport, and stated to him that if representatives of his organization wanted to meet with the Board on the matter, the Board would be glad to meet. He added that he
had also told Mr. Needham informally of the Board's position as set forth in the letter. Not having heard from Mr. Rapport, Mr. Clayton said, and bills on the subject having been introduced in Congress, S. 101 and H. R. 58 he called Mr. Rapport again yesterday at which time Mr. Rapport stated that his executive committee was to meet in New York on Monday, January 17, 1949, and, if it was decided to ask for a meeting with the Board, he would call back. Mr. Clayton added that a request had been received from Chairman Maybank of the Senate Banking and Currency Committee for a report on S. 101 and that the question before the Board was whether any purpose would now be served by sending the proposed letter to the American Bankers Association.

After a discussion, Mr. Clayton suggested that the letter approved on December 23 for transmission to the American Bankers Association be not sent but that a report along the same lines be prepared in response to the request from Chairman Maybank and that, when transmitted by the Board, copies of the report be sent to Mr. Needham of the American Bankers Association, Mr. Rapport, Chairman of the Executive Committee of the National Association of Supervisors of State Banks, Comptroller of the Currency Delano, and Chairman Harl of the Federal Deposit Insurance Corporation.

Mr. Clayton's suggestion was approved unanimously.
Mr. Szymczak referred to a memorandum dated January 12, 1949, with respect to a telephone call to his office from Mr. Allan B. Kline, Class C Director of the Federal Reserve Bank of Chicago and President of the American Farm Bureau Federation, which stated that the directors of that association would meet in Washington on January 24-27, 1949, and that they would like to invite the members of the Board to have luncheon with them at a hotel in Washington on January 25, 1949.

Mr. Evans suggested that the Board invite the directors of the association to have luncheon with the Board in the Board's building on Tuesday, January 25, or some other day which would be mutually convenient, and that following the luncheon a member of the Board's staff talk to the group on the economic situation.

Mr. Evans' suggestion was approved unanimously with the understanding that the cost of the luncheons served to the guests would be paid by the Board.

Mr. Evans stated that the Executive Committee of the Chairmen's Conference was making plans for a conference to be held this Spring and would like an informal indication from the members of the Board as to the time and location that would be most suitable to them.

Mr. Sherman stated that, following the close of the Chairmen's Conference on December 10, 1948, several of the Chairmen
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discussed the question of their next meeting and that their Executive Committee indicated they would like to have a conference sometime in May 1949, that they would like to hold it outside of Washington, and that they did not wish to meet in a Federal Reserve Bank or branch city.

The matter was discussed and it was understood that Mr. Dearmont, Chairman of the Chairmen's Conference, would be informed that the week-end of May 20-21-22, 1949, or the week-end of May 28-29-30, 1949 would be satisfactory as to time, and that if a conference was to be held outside of Washington or a Federal Reserve Bank or branch city, the Board's preference would be either Hot Springs, Virginia, or Williamsburg, Virginia.

Mr. Clayton referred to the suggestion at the meeting of the Board on July 27, 1948, with respect to proposed legislation which would eliminate the statutory capital requirements for the establishment of out-of-town branches of State member banks and for the admission of State banks to membership (except that a minimum of $50,000 would be required for the admission of newly organized banks and $25,000 would be required for other banks). He suggested that he be authorized to consult with other Federal bank supervisory agencies concerning such legislation and that, with the assistance of the Legal Division and the Division of Examinations, to prepare a report for submission to the Board.
Mr. Clayton's suggestion was approved unanimously.

Mr. Townsend left the meeting at this point.

Mr. Thurston stated that a reporter had called his attention to a press release relating to communications from Mr. Kaiser of the Kaiser-Frazer Motor Company to the President and the Chairmen of the Banking and Currency Committees of Congress appealing to them to stop the Board from forcing a depression on the country through the terms prescribed in Regulation W, Consumer Instalment Credit, and that there was a question whether this release and other comments appearing in the press called for a statement by the Board as to the effects of the present regulation.

During a discussion of the desirability of a statement Mr. Eccles referred to a telegram which he had received from Mr. Kaiser which misrepresented his (Mr. Eccles') position with respect to the economic situation. He stated that he was preparing a reply to the wire but did not intend to release the reply unless Mr. Kaiser released his telegram.

At the conclusion of the discussion, Mr. Evans suggested that Mr. Thurston be requested to prepare a draft of statement of the purposes and effects of Regulation W with the understanding that whether, and in what form, the statement should be made public would be considered by the Board when the statement was available.
Mr. Evans' suggestion was approved unanimously.

During the foregoing discussion, Mr. Young, Associate Director of the Division of Research and Statistics, entered the meeting.

Chairman McCabe stated that he had talked informally with General William Draper of the Department of the Army regarding the possibility of the Board assisting the Government in obtaining the services of outstanding persons to handle financial problems in occupied areas of Germany and Japan, and that General Draper had sent him drafts of letters which the Secretary of the Army might write to the President and which the President might write to the Chairman of the Board of Governors asking for such assistance.

At Chairman McCabe's request, Mr. Carpenter read the drafts and in the ensuing discussion the members of the Board present indicated a sympathetic approach to the proposal. It was recognized, however, that the assignment would involve a number of important aspects which should have careful consideration, and it was suggested that the initial arrangement, if undertaken, should cover only the American zone of occupied Germany and should make no reference to Japan.

At the conclusion of the discussion and at the suggestion of the Chairman, Messrs. Eccles and Szymczak, in collaboration with Messrs. Morrill and Riefler, were requested to revise the drafts of letters.
along the lines of the discussion and to submit them for consideration at a meeting of the Board next week.

At this point Messrs. Riefler, Thomas, Vest, Leonard, and Young withdrew 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 January 13, 1949, were approved unanimously.

Letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the payment of salary to Mr. Walter C. Warner as Acting Manager at the rate of $9,000 per annum for the period January 1, 1949 through March 31, 1949 as approved by the Board of Directors and reported in your letter of January 7, 1949."

Approved unanimously.

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

"In accordance with your letter of January 5 and your telegram of January 13, 1949, the Board approves the payment of salaries to the following officers at the rates indicated, which are the rates set by the Board of Directors, for the period January 13, 1949 through April 30, 1949.

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<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Annual Salary</th>
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<tbody>
<tr>
<td>Paul C. Stetzelberger</td>
<td>Vice President</td>
<td>$9,000</td>
</tr>
<tr>
<td>Roger R. Clouse</td>
<td>Vice President</td>
<td>10,000</td>
</tr>
<tr>
<td>Philip B. Didham</td>
<td>Assistant Cashier</td>
<td>6,000</td>
</tr>
<tr>
<td>H. B. Flinkers</td>
<td>Assistant Secretary</td>
<td>6,000</td>
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"The Board approves the appointment of Vice President Paul C. Stetzelberger as an Examiner for the Federal Reserve Bank of Cleveland and his designation as the officer in charge of the Bank Examination Department effective March 1, 1949."

Approved unanimously.

Letter to the board of directors of "The Citizens Banking Company of Rock Creek, Ohio", Rock Creek, Ohio, stating that, subject to conditions of membership numbered 1 and 2 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 Cleveland.

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

Letter to Mr. Dearmont, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"You will recall that during the recent Chairmen's Conference there was discussion of plans to hold an auditors' conference during the Spring of 1949. In consultation with the Standing Committee of Auditors of the Federal Reserve Banks, the Board's Division of Examinations has ascertained that April 6, 7, and 8 would be a convenient time for such a conference.

"The statement of principles adopted by the Chairmen's Conference in October 1942 provides that conferences of auditors shall be called by the Chairmen's Conference, or the Chairman thereof, or the Board of Governors after consultation with each other. Accordingly, if agreeable to you, the Board will proceed to call a conference of the auditors of the Federal Reserve Banks to be held in Washington on April 6, 7, and 8, 1949.

Approved unanimously."
Memorandum dated January 12, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending approval of a blanket authorization for Mr. Myrick, Assistant Director of that Division, to travel to the Federal Reserve Banks and branches during the year 1949 in connection with the review and surveys of functional expenses and budgetary procedures. The memorandum stated that other travel by Mr. Myrick would be subject to the advance approval of the Personnel Committee in the regular course.

Approved unanimously.