

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, May 31, 1949.

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

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Thurston, Assistant to the Board

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 25, 1949, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on May 26 and 27, 1949, were approved and the actions recorded therein were ratified unanimously.

Letter to Mr. Wilbur, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"In accordance with the request contained in your letter of May 24, 1949, the Board of Governors approves the appointment of Mr. Fritz R. Claxton as Alternate Assistant Federal Reserve Agent at his present salary of \$5,100 per year, to succeed Mr. Edmund H. Galvin.

"This approval is given with the understanding that Mr. Claxton will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of his duties. When not engaged in the performance of his duties as Alternate Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent or, during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Reserve Agent, and the President, perform such work for the Bank

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"as will not be inconsistent with his duties as Alternate Assistant Federal Reserve Agent.

"It is noted from your letter that Mr. Claxton will execute the usual oath of office which will be forwarded to the Board together with advice of the effective date of his appointment."

Approved unanimously.

Letter to Mr. Anthon H. Lund, Director, Trading and Exchange Division, Securities and Exchange Commission, reading as follows:

"This refers to your letter of May 12, 1949, and its enclosure, concerning certain questions that have arisen following inspections by your representative of security dealer firms in the Territory of Hawaii, and relating particularly to the status of the Honolulu Stock Exchange under certain provisions of the Board's Regulation T.

"In connection with reported indifference on the part of securities dealers in Honolulu toward the requirements of Regulation T, you relate that you have been advised that none of the Honolulu banks is a member of the Federal Reserve System, and that none has filed an agreement pursuant to section 8(a) of the Securities Exchange Act of 1934.

"While it is true that none of the banks in Honolulu are members of the Federal Reserve System, there are two Honolulu banks which have in force agreements filed with the Board pursuant to section 8(a) of the Securities Exchange Act of 1934. These two banks are the Bank of Hawaii and the Bishop National Bank of Hawaii at Honolulu.

"You point out that some of the indifference to the requirements of Regulation T is thought to be due to the present lack of a committee of the Honolulu Stock Exchange to consider requests for the extensions of time provided for in sections 3(f) and 4(c)(6) of the regulation. You point out further, however, that while the Exchange has suggested the establishment of a committee authorized to pass upon such requests, some doubt exists as to the propriety of such action by the Exchange in view of its exemption from registration as a national securities exchange.

"In the Board's view, the Honolulu Stock Exchange is an exchange of which a 'regularly constituted committee'

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"or other 'appropriate committee' would have authority to grant extensions of time for one or more limited periods commensurate with the circumstances in exceptional cases within the meaning of sections 3(f) and 4(c)(6) of Regulation T. The exemption order of the Securities and Exchange Commission covering the Honolulu Stock Exchange provides, among other things, 'that the provisions of section 7 of the Securities Exchange Act of 1934 and the rules and regulations of the Federal Reserve Board heretofore and hereafter prescribed * * * shall be complied with by said exchange, the members thereof and the issuers of securities listed or admitted to unlisted trading privileges thereon as if said exchange were a national securities exchange and said securities were registered thereon.' (Emphasis added) In these circumstances, the Honolulu Stock Exchange would constitute a national securities exchange for the purposes of sections 3(f) and 4(c)(6) of Regulation T.

"In the event such a committee should be established by the Honolulu Stock Exchange, you inquire whether it would be necessary for a broker or dealer requesting an extension of time to divulge the name of the customer involved. So long as there is compliance with the relatively broad, permissive provisions of sections 3(f) and 4(c)(6), the precise manner or form for the submission of such requests is a matter within the sound discretion of the committee. The Board is not unappreciative of such reluctance as there may be to make disclosure of customers' names and that this problem may be particularly acute in a closely knit and highly competitive community such as Honolulu. Nevertheless, other exchanges in the past have been faced with a comparable problem, but apparently have not found it to be impossible of solution. It would seem, therefore, that if a committee of the type in question is established, it might prove profitable to draw upon the experience of other exchanges in this regard."

Approved unanimously.

Memorandum dated May 26, 1949, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the vouchers of Messrs. Evans and Chase covering expenses incurred in the

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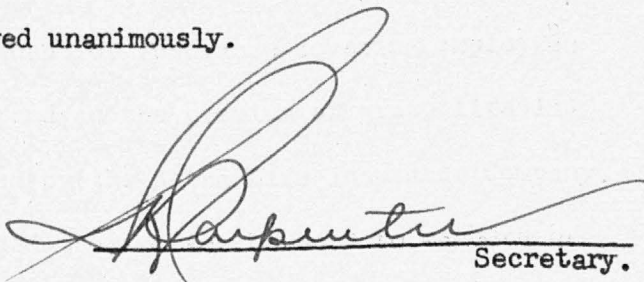
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discharge of official duty in connection with the Clayton Act proceeding against Transamerica Corporation be approved as submitted.

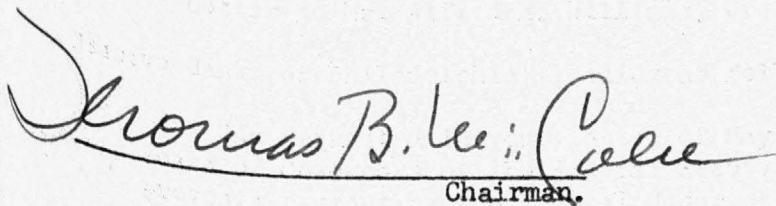
Approved unanimously.

Memorandum dated May 25, 1949, from Mr. Millard, Director of the Division of Examinations, recommending that Mr. Goodman of that Division be reimbursed in the amount of \$20 to cover a registration fee required for attendance at the Fourteenth Eastern Regional Conference of the National Association of Bank Auditors and Comptrollers held at the Mayflower Hotel, Washington, D. C., May 25-28, 1949.

Approved unanimously.


Secretary.

Approved:


Chairman.