

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, June 30, 1949. The Board met in the Board Room at 2:30 p.m.

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

Mr. Sherman, Assistant Secretary  
Mr. Hammond, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Vest, General Counsel

Mr. Winthrop W. Aldrich, Chairman, The Chase Bank, New York

In accordance with the understanding at the meeting on June 24, Mr. Winthrop W. Aldrich, Chairman of the Board of Directors, The Chase Bank, New York, was present to explain to the Board the projected purchase of the American Express Company by The Chase Bank, an Edge Act corporation affiliated with The Chase National Bank, a preliminary proposal for which was considered at the meeting on June 3, 1949.

Mr. Aldrich outlined the relationship which had existed in the past between the Chase interests and the American Express Company and explained that before proceeding further with plans for acquisition of the American Express Company he wished to learn informally if the Board (under the terms of paragraph 8 of Section 25(a) of the Federal Reserve Act) might be expected to take a favorable view of the contemplated action. He said the matter had been brought up for

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active consideration because he felt it was desirable to put American Express Company, which presently was not subject to supervision by any regulatory body, under some kind of regulation, that he felt the Board had complete power of supervision over Edge Act corporations, and that although he was familiar with the content of Mr. Vest's memorandum of May 9, 1949, which reached the conclusion that the proposed purchase would not be permissible under the law because the domestic business of American Express Company could not be said to be "incidental" to its international or foreign business, his concept was that the business of American Express Company was international and that, for reasons which he stated, it was within the power of the Board to approve the plan. Mr. Aldrich stated that he had not been able to obtain the information as to volume of business of American Express Company as suggested by the Board, but he described the general nature of the business, emphasizing the importance of foreign travel as a class of foreign trade and presenting figures showing that the Company's "float" (the outstanding volume of travelers cheques) ranged from \$128 million at the end of 1945 to \$183 million at the end of 1948 which, he felt, indicated a need for regulation of the company.

In the discussion that followed, during which Mr. Szymczak entered the meeting, Mr. Aldrich said that the domestic business of American Express Company was undoubtedly a large part of its total,

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that he did not think the Board could give a favorable decision on his request unless it was convinced that the company was an international business, and that if it was an international business it did not matter how much business was done in the United States because such business would be a part of the company's function in connection with its world-wide business in foreign trade and remittances. He also said that one of the main reasons The Chase Bank wanted to acquire American Express Company was to make the international travel part of the business more important, and he added that if the proposed purchase took place he planned to discontinue some of the purely domestic activities of the company such as armored car service and field warehousing.

Chairman McCabe withdrew from the meeting at this point to keep another engagement.

In response to a question as to what advantage could be expected from acquisition of American Express Company by Chase in view of the fact the company was already an established and successful organization in the foreign travel field, Mr. Aldrich said that he felt the purchase was important because it would avoid possible liquidation of the business by its present owners and because he felt a better job of building up the foreign part of the business would be done under Chase ownership. With respect to a question

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why Mr. Aldrich felt it was important to bring American Express Company under regulation, he said that the size of the company's operations made regulation desirable and he suggested that it would be desirable to have examinations of the portfolio of investments of the company.

In a comment on the suggestion that acquisition of domestic offices of American Express Company might be a means for channeling banking business from all parts of the United States into The Chase National Bank, Mr. Aldrich said that American Express Company could not and would not use the offices in that way and that it would be confronted with a violation of the law if it tried to do a banking business.

Mr. Aldrich made it clear that he was presenting this question informally and that he did not feel it would be desirable for The Chase Bank to make an offer of purchase unless there were reason to believe a formal request for approval of the transaction would be considered favorably.

At the close of the discussion, it was suggested that any formal request which Mr. Aldrich might wish to make for consideration of the proposal should be presented through the Federal Reserve Bank of New York.

At this point Messrs. Aldrich and Vest withdrew and the action stated

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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 June 29, 1949, were approved unanimously.

Mr. Sherman reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as of the close of business on June 30, 1949, and that in accordance with the usual practice and the Board's letter of June 14, 1949, a call would be made on July 5, 1949, on behalf of the Board of Governors of the Federal Reserve System on all State member banks for reports of condition as of June 30, 1949.

The call to be made on behalf of the Board on July 5, 1949, was approved unanimously.

Memorandum dated June 29, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending, for reasons stated in the memorandum, that leave without pay for a period starting July 10 and ending August 20, 1949, be granted to Miss Mildred Jane Lipps, a clerk in that Division.

Approved unanimously.

Letter to Mr. Leach, President of the Federal Reserve Bank of Richmond, reading as follows:

"Reference is made to your Bank's letter of June 23, 1949, in which you advised that it appears expenses for the Consumer Credit function through June 30 will exceed budget estimates in the amounts of approximately \$1,600 at the Baltimore Branch and \$3,700 at the Charlotte Branch.

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"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

Approved unanimously.

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

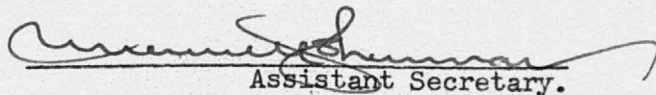
"Reference is made to your Bank's letter of June 21, 1949, in which you advised that it appears expenses for the Consumer Credit function at your head office and the Cincinnati Branch will exceed 1949 budget estimates in the amounts of approximately \$3,500 and \$2,100, respectively.

"The Board accepts the revised figures as submitted and appropriate notations are being made in the Board's records."

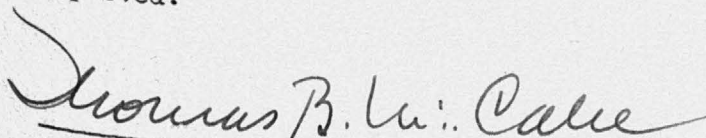
Approved unanimously.

Memorandum dated June 30, 1949, from Mr. Hackley, Assistant Counsel, recommending that there be published in the law department of the July issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subject:

Termination of Consumer Credit Control and  
Temporary Authority to Increase Reserve Requirements.

  
Assistant Secretary.

Approved:

  
Chairman.