Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, July 22, 1949.

PRESENT: Mr. McCabe, Chairman
Mr. Szymczak
Mr. Clayton
Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Morrill, Special Adviser

Telegrams to the Federal Reserve Banks of New York, Philadelphia, Atlanta, Chicago, St. Louis, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on July 19, by the Federal Reserve Bank of St. Louis on July 20, and by the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago on July 21, 1949, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated July 20, 1949, from Mr. Leonard, Director of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective July 24, 1949:

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>From</th>
<th>To</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raymond C. Kolb</td>
<td>Analyst</td>
<td>$4,605.00</td>
<td>$4,855.80</td>
</tr>
<tr>
<td>Mary L. Roberts</td>
<td>Clerk</td>
<td>2,799.24</td>
<td>2,949.72</td>
</tr>
<tr>
<td>Grace Van Order</td>
<td>Clerk</td>
<td>2,799.24</td>
<td>2,949.72</td>
</tr>
</tbody>
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Approved unanimously.

Memorandum dated July 21, 1949, from Mr. Nelson, Director
7/22/49

of the Division of Personnel Administration, recommending that
Miss Sara Ann McIntosh, a clerk-typist in the Division of Bank
Operations, be transferred to the Division of Personnel Administra-
tion as a clerk-typist, with no change in her present basic salary
of $2,350 per annum, effective July 25, 1949. The memorandum also
stated that the Division of Bank Operations is agreeable to this
transfer.

Approved unanimously.

Telegram to Mr. Mangels, First Vice President of the Fed-
eral Reserve Bank of San Francisco, reading as follows:

"Reurtel July 20, 1949, Board will interpose no
objection to expenditure of $350 for purchase of tip of
the adjoining property in Portland as proposed in your
telegram."

Approved unanimously.

Letter prepared in accordance with action taken at the meet-
ing of the Board on June 24, 1949, to the Presidents of all Federal
Reserve Banks, reading as follows:

"The Board has reconsidered the policy stated in its
telegram of February 3, 1945, to the Presidents of the
Federal Reserve Banks (FRLS #7235) requiring that exami-
nation reports of holding company affiliates be not made
available to the companies examined, and has adopted a
policy of making such reports of examination available
to the subject companies in the same manner and to the
same extent as reports of examination of member banks are
made available to such banks. It is not contemplated
that any announcement will be made by the Board of this
change in policy.

"With respect to reports of examination completed be-
tween February 3, 1945, and the present, your Bank is
"authorized to make such reports available in the manner and to the extent authorized by the new policy if a holding company affiliate requests copies of the reports. In view of the fact that these reports were completed during a period when copies were not being furnished to the respective holding company affiliates, it is possible that certain material may inadvertently have been included in the open section which should have been placed in the confidential section in conformity with the Board's letter of May 19, 1941 (FRSL #7235). If a holding company affiliate requests copies of its reports of examination, they should be carefully reviewed and any confidential material should be deleted from the open section before delivery of the reports. Please inform us as to any requests received from holding company affiliates for delivery of such reports, and if any deletions are made in the open section, please furnish copies of the revised pages for insertion in the Board's copies of the reports.

"An inscription should be typewritten on the front cover of each report of examination of a holding company affiliate completed since February 3, 1945, and in the future containing the substance of the inscription which appears on the front cover of reports of examination of State member banks, with appropriate substitutions for the word 'bank' wherever it appears in the inscription. Likewise, the substance of the form which is used in transmitting reports of examination to State member banks and obtaining receipts therefor should be included in a letter of transmittal of the report of examination to, and in an acknowledgement of receipt obtained from, the holding company affiliate.

"Copies of reports of examination of holding company affiliates or information contained therein may be made available to other supervisory authorities in accordance with the Board's letter of May 19, 1941, referred to above, for the confidential use of such authorities."

Approved unanimously.

Letter to the Honorable Carl Albert, House of Representa-
tives, reading as follows:

"Reference is made to the exchange of correspondence
"Concerning the possible transfer of eight counties in the southeastern section of Oklahoma from the Eleventh Federal Reserve district to the Tenth Federal Reserve district.

"The investigation which Chairman McCabe advised you in his letter of June 7 would be made has now been completed, and the following is submitted for your information.

"The southeastern section of Oklahoma which is located in the Dallas Federal Reserve district is comprised of the following counties which have been a part of the area served by that Bank since its establishment:

Marshall
Bryan
Choctaw
McCurtain
Pushmataha
Atoka
Coal
Johnston

"In these counties, there are 13 banks belonging to the Federal Reserve System with total assets of $27 million, and seven nonmember banks with total assets of about $7 million. There are 15 communities with banking service, with two banks serving each of the towns of Durant, Madill, Hugo, Idabel and Antlers.

"As far as mail service to the banking points in the area is concerned, the service for both ordinary and registered mail is slightly better from Dallas than it is from Oklahoma City. All of the points, with the exception of one or two, are over-night either from Dallas or Oklahoma City, and consequently are two-day collection points from either Federal Reserve office.

"According to the latest information available, the member banks in the eight counties had aggregate balances 'Due from Banks' of $4,691,000. Of these correspondent balances, 41.4% was carried with banks located in the Kansas City Federal Reserve district, with 28.9% being carried with banks in Oklahoma City. Of these balances, 54.5% was carried with banks in the Dallas Federal Reserve district, including banks in Dallas, Denison, Sherman and Paris, Texas, the three last-mentioned towns being located just a few miles across the Red River from Madill, Durant, Hugo and Idabel, Oklahoma. This would give some indication that
the flow of trade of the area is toward the Eleventh Federal Reserve district. The remainder of 4.1% of the correspondent balances was carried with banks outside of both the Tenth and Eleventh Federal Reserve district.

"As a part of our investigation, and to ascertain the sentiment of some of the bankers of the section, Mr. W. D. Gentry, First Vice President of the Federal Reserve Bank of Dallas, called on banks in Madill, Durant, Hugo, Idabel, and Antlers. In these contacts Mr. Gentry reports that he was unable to find that there was any complaint on the part of any bank or business in the eight counties, other than the one registered by your correspondent, Mr. E. H. King. On the contrary, he found very strong opposition among the banks to the suggested transfer, with many of the bankers indicating that they would vigorously protest any such action.

"During his visit to Idabel, Mr. Gentry had occasion to call on Mr. King at which time he explained to him the functions of the Federal Reserve Bank and some of the operations of the Reconstruction Finance Corporation. It would appear that Mr. King was under the impression that there was a close connection between the operations of the Reconstruction Finance Corporation and the Federal Reserve Bank, due, probably, to the fact that the Dallas office of the Federal Reserve Bank and the Dallas Loan Agency of the Reconstruction Finance Corporation serve the same Oklahoma area. Apparently, Mr. King felt that by reason of the eight counties referred to being served out of Dallas, both by the Federal Reserve Bank and the Dallas Loan Agency of the Reconstruction Finance Corporation, instead of by Oklahoma City as the remainder of that State is served, it operated more or less to isolate that area of Oklahoma to the disadvantage of all business, particularly the mortgage loan business.

"On the basis of the information which we have obtained, it is evident that there is no dissatisfaction on the part of the banks of the area concerned in being attached to the Dallas Federal Reserve district, and that they would not look with favor upon any proposal which might involve a change in Federal Reserve district lines. The location of Reconstruction Finance Corporation Loan agencies, and the territories which they serve, are matters which, of course, come under the supervision of that Corporation.

"It is hoped that the above information will answer
"your inquiry satisfactorily, but if you should have any further comments to make we shall be pleased to receive them."

Approved unanimously.

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

"Relet July 15. Board approves establishment and operation of branch in Madeira, Ohio, by The Fifth Third Union Trust Company, Cincinnati, Ohio, provided absorption The Camargo Bank of Madeira effected substantially as proposed; prior formal approval of appropriate State authorities is obtained; and with understanding that counsel for Reserve Bank will review and satisfy himself as to legality of all steps taken to effect absorption and establish branch."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"There will be held in Washington on September 15, 1949, a trade practice conference called by the Federal Trade Commission for the purpose of establishing trade practice rules intended to eliminate or prevent so-called 'packing' practices in the instalment sale and financing of automobiles. The Commission considers that these and related practices, which have been brought to its attention by members of Congress, Better Business Bureaus and the public generally, are of nation-wide significance and warrant the initiation of corrective steps through the medium of a trade practice conference. The Commission has invited to participate in the September 15 conference, automobile dealers, financing organizations, automobile manufacturers, and other groups concerned with the practices in question. With regard to this matter, there is enclosed a copy of the Federal Trade Commission's press release of June 13, 1949.

"Since banks constitute a significant factor in the purchase of automobile paper, the Commission desires that
"banks, as well as other financing institutions, participate and cooperate at the conference. In this regard, the Commission has asked the assistance of the Federal Reserve System in informing member banks of the September 15 conference. The Board believes that the opportunity to participate in the conference will be of interest to many member banks, and that they may be able to make helpful contributions toward the attainment of a uniform approach to the problem and a healthier competitive situation for all concerned. It will be appreciated, therefore, if you will notify the member banks in your district of the forthcoming conference, informing them of the views of the Federal Trade Commission and of the Board of Governors, as indicated above."

Approved unanimously, together with a letter transmitting a copy of the above letter to the Honorable Lowell B. Mason, Chairman of the Federal Trade Commission.

Letter prepared in accordance with the action taken at the meeting of the Board on July 19, 1949, to Mr. Winthrop W. Aldrich, Chairman, Board of Directors, The Chase Bank, Pine and Nassau Streets, New York 15, New York, reading as follows:

"This refers to your letter of July 7, 1949, to Governor Szymbczak, with its enclosures, relating to the proposed acquisition of the American Express Company by The Chase Bank. Your letter supplemented your informal discussion of this subject with the Board on June 30th, your previous letter of April 7, 1949, and certain memoranda of your Counsel filed in this connection. In your letter of April 7 you outlined the proposal under which The Chase Bank would acquire the stock of American Express Company, which is now held by Amerex Holding Corporation, and you requested the Board to consider the matter in a preliminary manner and give you the benefit of its views.

"We have previously indicated to you the need for additional information which would enable the Board to
"consider the various questions involved and determine whether it would be able to give its consent to the transaction under the provisions of section 25(a) of the Federal Reserve Act. We understand, however, that most of the information desired is not obtainable and you are therefore unable to furnish it to the Board. "The Board has nevertheless given careful consideration to this matter in the light of your letters and the memoranda of your Counsel and your discussion of the subject with the Board. On the basis of the information which has been furnished and the legal and other considerations involved, the Board is not able to give its consent to the transaction proposed. If you should be able at a later date to furnish additional information, including more specific data as to the volume of the various kinds of businesses of American Express Company, we would, of course, be very glad to give the matter further consideration."

Approved unanimously.

Telegram to Mr. Rouse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your wire July 21. Board approves a three months renewal to November 23, 1949, of $60,000,000 of the $75,000,000 loan against gold maturing August 23, 1949, by your Bank to Banque de France on the same terms and conditions as apply to the outstanding loan, as set forth in your letter to the Board of November 21, 1947, and on the understanding that any further renewals of the loan which might be requested by Banque de France would, if granted, be contingent upon the repayment of $15,000,000 on each maturity.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

Telegram to Mr. Rouse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Your wire July 21. Board approves increase in the
"total amount of loans on gold to be extended by your Bank to Banque Centrale de la Republique de Turquie from $10,000,000 to $20,000,000 on the same terms and conditions as apply to the existing arrangement, as set forth in our wire to you of June 3.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

Letter to the Honorable Frank Pace, Jr., Director of the Bureau of the Budget, reading as follows:

"This refers to your letter of July 7, 1949, to Chairman McCabe, regarding draft legislation 'To amend the Federal Home Loan Bank Act and Title IV of the National Housing Act, and for other purposes.'

"As you know, the Board has been gravely concerned regarding the efforts that have been made to place further Government funds at the disposal of savings and loan associations in such manner that such funds, and the prospect of getting them, could tend to be a disruptive force in the economy.

"We must in frankness state there has been a serious question as to whether the objectives of such measures were compatible with the necessities of sound monetary and credit policy. However, this Board has striven to find a satisfactory way of reconciling these differences. The Board and its staff have devoted extensive time and study to the matter, one example, as you will recall, being the draft proposals in this connection which were prepared by the Board's staff at your suggestion, forwarded with our letter to you of December 16, 1948, and referred to in our letter to Mr. Jones of June 17, 1949."

"As you indicate, some progress was made when members of our staff explored the subject with representatives of the Housing and Home Finance Agency on June 20, 1949, in accordance with the arrangements referred to in our letter of June 17. However, it was evident that further discussions would be necessary if the issues were to be satisfactorily resolved.

"The Board naturally is glad to continue to cooperate with the Housing and Home Finance Agency with a view to completing a mutually agreeable draft on the subject"
"Before Congress reconvenes in January. To that end the Board is designating Ralph A. Young, Frederic Solomon, and Ramsay Wood of its staff to meet further with representatives of the Housing and Home Finance Agency in an effort to find solutions for the problems that would be acceptable to the respective agencies."

Approved unanimously.

Chairman.

Approved:

Secretary.