

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, October 24, 1949.

PRESENT: Mr. McCabe, Chairman
Mr. Draper
Mr. Vardaman

Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Board

Memorandum dated October 21, 1949, from Mr. Carpenter, Secretary of the Board, recommending the appointment of Miss Mary Patricia McShane as a file clerk in that Division, on a temporary basis for a period of six months, with basic salary at the rate of \$2,573.52 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination.

Approved unanimously.

Letter to Mr. H. G. McConnell, Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

"In accordance with the request contained in your letter of October 17, 1949, the Board approves the designation of Wallace O. Paradise as a special assistant examiner for the Federal Reserve Bank of Minneapolis."

Approved unanimously.

Letter to the Organizers of the "First State Bank of Lynwood", Lynwood, California, stating that subject to conditions of membership numbered 1 and 2 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve

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System and for the appropriate amount of stock in the Federal Reserve Bank of San Francisco, effective if and when the bank is authorized to commence business by the appropriate State authorities. The letter also contained the following special condition:

"3. At the time of admission to membership such bank shall have a paid-up and unimpaired capital stock of not less than \$100,000 and other capital funds of not less than \$40,000."

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

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

"In continuance of the practice of recent years, there is being sent to you under separate cover a supply of worksheets (form F. R. 456) for use in compiling member bank operating ratios for 1949, and in furnishing such data to the Board.

"The new worksheet provides for the computation of the ratio of net losses or recoveries on loans to total loans on the basis of actual net losses or recoveries on loans, rather than on the basis of net losses or recoveries as reported on the face of the earnings and dividends report form; figures on the face of the form include transfers to and from valuation reserves on loans, but they exclude recoveries or losses credited or charged to the valuation reserves.

"A number of other changes, of a minor or technical nature, have been made in the worksheet and in the instructions for its handling; they are described in the attachment hereto. All of the changes have been cleared with the Presidents' Conference Committee on Member Bank Operating Ratios.

"The procedure followed last year should be observed in sending the completed worksheets, or duplicates thereof, to the Board after completion of the tabulations made at your Bank."

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Approved unanimously, with the understanding that the letter would be sent after the forms referred to therein were printed and ready for distribution.

Letter to Mr. Roger W. Jones, Assistant Director, Legislative Reference, Bureau of the Budget, reading as follows:

"This refers to your letter of October 20, 1949, requesting the comments of the Board on enrolled bill S. 1580.

"The purpose of S. 1580 is to authorize banks and trust companies in the District of Columbia to establish common trust funds and to invest funds held by them as fiduciaries in interests in such common trust funds where the investments are not prohibited by the terms of the instruments or court orders creating the fiduciary relationships. The establishment of common trust funds would be subject to the rules and regulations of this Board pertaining to the collective investment of trust funds by national banks. Except for the provision concerning rules and regulations and a section dealing with the applicability of the District of Columbia Income and Franchise Tax Act of 1947, the bill is substantially identical with the Uniform Common Trust Fund Act recommended by the National Conference of Commissioners on Uniform State Laws.

"The Board is in favor of the proposed legislation. Common trust funds provide a medium for the collective investment of funds held by banks in various fiduciary capacities; and collective investment through common trust funds is intended to facilitate the administration of small trusts and to provide greater diversification of investments than is practicable where funds of small trusts are invested separately.

"Several years ago, the Board amended its Regulation F, Trust Powers of National Banks, to permit national banks to establish common trust funds and to invest trust funds therein where such investments are authorized or permitted by the laws of the States in which the national banks are located. In establishing and operating common trust funds, national banks must conform to requirements and restrictions set forth in Regulation F. Under S. 1580, the provisions of Regulation F relating to common trust funds would be applicable to all banks and trust companies in the District of

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"Columbia.

"The Board is not prepared to comment in detail on section 2 of the bill which relates to the applicability of the District of Columbia Income and Franchise Tax Act of 1947. This section, however, appears to be based in principle upon section 169 of the Internal Revenue Code under which a common trust fund maintained in conformity with Regulation F is exempt from certain provisions of the Federal tax laws.

"The Board recommends that S. 1580 be approved."

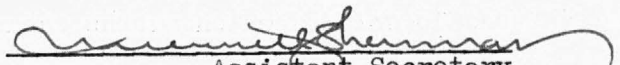
Approved unanimously.

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

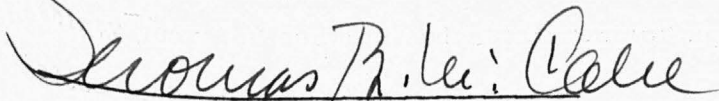
"In compliance with the request received from the Senate Committee on Banking and Currency, the Board has prepared the enclosed report on the Bill, S. 2547, to amend section 5219 of the Revised Statutes of the United States as amended, relating to State taxation of national banks.

"Before transmitting this report, the Board will appreciate advice as to the relationship of the proposed legislation to the program of the President."

Approved unanimously.


Assistant Secretary.

Approved:


Chairman.