

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, January 10, 1950. The Board met in the Board room at 10:35 a.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Vest, General Counsel

In response to a question from Mr. Carpenter, unanimous approval was given to sending copies of the letter sent to the Bureau of the Budget yesterday with respect to the draft of bill to amend the Federal deposit insurance law to the Presidents of the Federal Reserve Banks and members of the Federal Advisory Council for their confidential information.

Chairman McCabe referred to the understanding at the meeting on December 20, 1949, that he would discuss with Senator Robertson, Chairman of the subcommittee of the Senate Banking and Currency Committee on Federal Reserve matters, proposed legislation with respect to additional authority for construction of Federal Reserve Bank branch buildings and other matters. He stated that owing to the holiday season and to Senator Robertson's busy schedule it had not yet been possible for him to discuss this matter with Senator Robertson but that he hoped to have him over for lunch this week.

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There followed a general discussion of the Board's legislative program as set forth in the letter to the Bureau of the Budget dated November 23, 1949. In connection with the expiration on June 30, 1950, of authority for the Federal Reserve Banks to purchase Government obligations direct from the Treasury, Chairman McCabe stated that since this was a matter of primary concern to the Treasury Department, it should take the initiative in requesting an extension of the authority.

Mr. Szymczak suggested that the attention of the Treasury be called to the fact that the authority would expire on June 30, 1950, and that the Chairman suggest to Secretary Snyder that the Treasury initiate a request for its extension.

Following a discussion, upon motion by Mr. Vardaman, Chairman McCabe was authorized unanimously to discuss the matter with Secretary of the Treasury Snyder along the foregoing lines.

It was also understood that at the first opportunity the Chairman would discuss with Senator Robertson the other legislative matters in which the Board is interested.

At this point all of the members of the staff with the exception of Mr. Carpenter withdrew from the meeting.

There followed an informal discussion of problems which will be presented to the Board in connection with the appointment of Presidents and First Vice Presidents at some of the Federal Reserve Banks for terms beginning March 1, 1951.

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At the conclusion of the discussion, it was voted unanimously to put this matter on the docket for the first meeting of the Board in June of this year for the purpose of reviewing the problems fully and determining at that time what the Board's position will be with respect to them. It was also agreed that if any member of the Board could not attend the June meeting he would give the Board a memorandum of his views.

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 3, 1950, were approved unanimously.

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 4, 5, 6, and 9, 1950, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated January 9, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Miss Constance McCarthy as a clerk-typist in that Division, with basic salary at the rate of \$2,450 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 the First National Bank of McAllen, Texas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, adminis-

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"trator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Texas, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course.

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

Letter to Mr. Latham, Vice President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of December 29, 1949, submitting for consideration of the Board of Governors the proposal of the Granite Trust Company, Quincy, Massachusetts, to remove its branch in South Weymouth, Massachusetts, approximately one block from present rented quarters to a new building to be erected for occupancy by the branch.

"It is understood that approval of the appropriate State authorities has been obtained and that the proposed investment will not bring the total investment of the trust company in banking premises to an amount equal to its capital stock. The Board will interpose no objection to the removal of the branch to the new quarters when completed."

Approved unanimously.

Letter to Mr. Sheehan, Chief Examiner at the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of January 6, 1950, submitting a request of 'The Patchogue Bank', Patchogue, New York, for approval of a reduction in common capital

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"stock from \$200,000 to \$100,000. The proposal is submitted in connection with a recapitalization program which contemplates that in addition to a reduction in common capital there will be a sale of 2,000 shares of new common stock, par value \$25, at \$70 per share, the premium of \$90,000 to be credited to surplus and the retirement of \$55,000 par value of preferred stock held by the Reconstruction Finance Corporation at its retireable value of \$137,500.

"It is understood that tentative approval has been given to the recapitalization program by the State authorities.

"In view of the statements made in your letter, the Board of Governors approves the reduction of \$100,000 in common capital stock provided (a) that the entire recapitalization program is completed substantially as outlined above, (b) that formal approval of the recapitalization program is obtained from the appropriate State authorities and with the understanding that counsel for the Federal Reserve Bank of New York will review and satisfy himself as to the legality of all steps taken in the program."

Approved unanimously.

Letter to Mr. Diercks, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of December 27, 1949, submitting the request of the Ypsilanti Savings Bank, Ypsilanti, Michigan, for the Board's approval of the expenditure of approximately \$310,400 for the purpose of enlarging and remodeling its banking premises, including an estimated \$16,000 still due on work completed or to be completed. It is understood that the carrying value of the investment in bank premises has already been reduced to \$250,000, the amount of the bank's capital.

"In accordance with your recommendation, the Board will interpose no objection to the transaction, provided the major portion of the \$16,000 additional expenditure is charged off and an adequate program of depreciation is inaugurated."

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Approved unanimously.

Letter to Mr. J. B. Barnett, President, Monroe County Bank,  
Monroeville, Alabama, reading as follows:

"This refers to your letter of December 27, 1949, addressed to the Federal Reserve Bank of Atlanta, requesting a determination as to the status of your bank as a holding company affiliate.

"From the information supplied, it appears that the Monroe County Bank is engaged in the general banking business; that it is a holding company affiliate of The First National Bank of Monroeville, Monroeville, Alabama, by reason of the fact that it owns 262 of the 500 outstanding shares of stock of that bank; that it also owns 30 of the 500 outstanding shares of stock of the Peoples Bank of Frisco City, Frisco City, Alabama, but does not own or control directly or indirectly any other bank stock; and that it does not manage or control, directly or indirectly, any banking institution other than The First National Bank of Monroeville.

"In view of these facts, the Board has determined that the Monroe County Bank is not engaged, directly or indirectly, as a business, in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933 as amended; and, accordingly, the Monroe County Bank is not a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act and does not need a voting permit from the Board of Governors in order to vote the bank stock which it owns.

"If, however, the facts should at any time differ from those set out above to an extent which would indicate that the Monroe County Bank might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Approved unanimously.

Letter to Mr. Black, Cashier of the Federal Reserve Bank of

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Chicago, reading as follows:

"Reference is made to your Bank's letter of December 28, 1949, in which you advise that it appears expenses for certain functions at your head office and Detroit Branch will exceed the 1949 budget estimates as follows:

<u>Function</u>	<u>Head Office</u>	<u>Detroit Branch</u>
Furniture and Equipment	\$45,755 <u>1/</u>	\$14,800
Discount and Credit	18,000 <u>2/</u>	
Currency and Coin		6,615
Legal		600

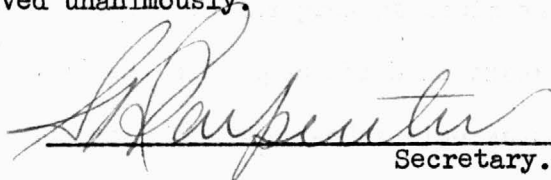
1/ \$19,000 previously advised.

2/ \$3,700 previously advised.

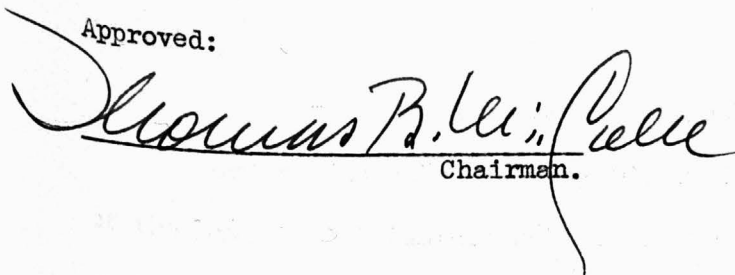
"The Board accepts the revised figures as submitted, and appropriate notations are being made in the Board's records.

"It is also noted that an excess of \$12,700 over the budget estimate, which was apparent in the Postage and Expressage function as of November 30, 1949, may be eliminated by December 30, 1949."

Approved unanimously.

  
Secretary.

Approved:

  
Chairman.