

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, January 30, 1950.

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

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on January 27, 1950, were approved unanimously.

Memorandum dated January 26, 1950, from the Personnel Committee, stating that a request had been received from the Department of State for the services of Samuel I. Katz, an economist in the Division of Research and Statistics, for a period of approximately a month on a full-time or nearly full-time basis and for several additional months on a part-time basis to assist in the preparation and analysis of material involving British financial problems. The memorandum stated that no leave of absence was involved and recommended that the Director of the Office of Financial and Development Policy of the Department of State be informed that Mr. Katz would be assigned to work as requested.

Approved unanimously.

Memorandum dated January 26, 1950, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that Miss

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Elizabeth A. McMahon, a clerk-stenographer in the Division of Research and Statistics, be transferred to the Division of Personnel Administration as a clerk-stenographer with no change in her present basic salary of \$2,970 per annum, effective as of the date upon which she enters upon the performance of her new duties. The memorandum also stated that the Division of Research and Statistics was agreeable to this transfer.

Approved unanimously.

Memorandum dated January 24, 1950, from Mr. Nelson, Director of the Division of Personnel Administration, recommending that the salary of James F. Hamilton, a messenger in Mr. Evans' office, be increased from \$2,690 to \$2,770 per annum, effective February 5, 1950.

Approved unanimously.

Letter to the Honorable Maple T. Harl, Chairman, Federal Deposit Insurance Corporation, reading as follows:

"In accordance with the request contained in your letter of January 20, 1950, the Board of Governors of the Federal Reserve System hereby grants written consent, pursuant to the provisions of sub-section (k) (2) of Section 12B of the Federal Reserve Act, for examiners for the Federal Deposit Insurance Corporation to make an examination of the Pee Dee State Bank, Timmonsville, South Carolina, in connection with its application for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"There have been no corrective programs urged upon the bank or agreed to, which have not been fully consummated and in connection with which the Board would suggest incorporation of conditions for continuing its status as an insured bank."

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Approved unanimously.

Letter to Mr. W. Randolph Burgess, Chairman of the Executive Committee, The National City Bank of New York, New York 15, New York, reading as follows:

"This refers to your letter of October 13, 1949, acknowledged by us on October 19, 1949, transmitting a proposed amendment to the bank holding company bill designed to exempt the relationship between your bank and City Bank Farmers Trust Company and to make it clear that International Banking Corporation is not a bank for the purposes of the bill.

"We have prepared proposed amendments which cover much the same subject matter but which are different in form and are broader in some respects than the amendment which you submitted. A copy of these proposed amendments is enclosed herewith.

"You will note that we have dealt with the exemption of relationships such as that between your bank and City Bank Farmers Trust Company by an amendment to the definition of the term 'bank holding company' in section 2(e) of the bill, rather than by an amendment to the definition of the term 'bank' contained in section 2(b) of the bill. The reason for this is that, in view of the provisions of section 2(f) of the bill, the amendment to the definition of the term 'bank' which you suggested apparently would have the effect of eliminating an exemption applicable to cases in which City Bank Farmers Trust Company may hold bank stock in fiduciary capacities, and therefore might result in City Bank Farmers Trust Company being a bank holding company where it would not be under the existing bill.

"Our proposed amendment also would exempt certain relationships which do not appear to differ materially from the relationship existing between your bank and City Bank Farmers Trust Company, but which would not be exempt under the amendment submitted by you. For example, under our proposed amendment, the exemption would not be limited to cases where both the bank and the trust company are member banks, where the trust company is the subsidiary institution, and where the holding company relationship results from a trust arrangement. Also, the exemption would not be limited to cases in which the trust company is not engaged to any extent in commercial banking business; instead, it would be required that the trust company not be engaged substantially in commercial banking business. In this

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"connection, it may be noted that City Bank Farmers Trust Company probably should be regarded as being engaged to some extent in commercial banking business.

"Like the amendment submitted by you, our proposed amendment to section 2(b) of the bill would make it clear that the term 'bank' does not include International Banking Corporation and other corporations operating under agreements with the Board pursuant to section 25 of the Federal Reserve Act. There appears to be no need, however, to specifically exclude corporations organized under section 25 (a) of the Federal Reserve Act. Such a corporation clearly is not a 'bank' as that term is now defined in the bill because it is neither a national bank nor a State bank, banking association, savings bank, or trust company."

Approved unanimously,
together with the following
letter to Mr. Charles E.
Spencer, Jr., Chairman of
the Board, The First National
Bank of Boston, Boston, Mass-
achusetts:

"This refers to your letter of October 20, 1949, acknowledged by us on October 25, 1949, transmitting a proposed amendment to the bank holding company bill designed to exempt the relationship between your bank and Old Colony Trust Company and to make it clear that First of Boston International Corporation is not a bank for the purposes of the bill.

"We have prepared proposed amendments which cover much the same subject matter but which are different in form and are broader in some respects than the amendment which you submitted. A copy of these proposed amendments is enclosed herewith.

"You will note that we have dealt with the exemption of relationships such as that between your bank and Old Colony Trust Company by an amendment to the definition of the term 'bank holding company' in section 2(a) of the bill, rather than by an amendment to the definition of the term 'bank' contained in section 2(b) of the bill. The reason for this is that, in view of the provisions of section 2(f) of the bill, the amendment to the definition of the term 'bank' which you suggested apparently would have the effect of eliminating an exemption applicable to cases in which Old Colony Trust Company may

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"hold bank stock in fiduciary capacities, and therefore might result in Old Colony Trust Company being a bank holding company where it would not be under the existing bill.

"Our proposed amendment also would exempt certain relationships which do not appear to differ materially from the relationship existing between your bank and Old Colony Trust Company, but which would not be exempt under the amendment submitted by you. For example, under our proposed amendment, the exemption would not be limited to cases where both the bank and the trust company are member banks, where the trust company is the subsidiary institution, and where the holding company relationship results from a trust arrangement. Also, the exemption would not be limited to cases in which the trust company is not engaged to any extent in commercial banking business; instead, it would be required that the trust company not be engaged substantially in commercial banking business.

"Like the amendment submitted by you, our proposed amendment to section 2(b) of the bill would make it clear that the term 'bank' does not include First of Boston International Corporation and other corporations operating under agreements with the Board pursuant to section 25 of the Federal Reserve Act. There appears to be no need, however, to specifically exclude corporations organized under section 25(a) of the Federal Reserve Act. Such a corporation clearly is not a 'bank' as that term is now defined in the bill because it is neither a national bank nor a State bank, banking association, savings bank, or trust company."


Secretary.

Approved:


Chairman.