

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 27, 1950. The Board met in the special library at 3:05 p.m.

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

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Morrill, Special Adviser  
Mr. Thurston, Assistant to the Board  
Mr. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of Bank Operations  
Mr. Vest, General Counsel  
Mr. Millard, Director, Division of Examinations  
Mr. Townsend, Solicitor  
Mr. Baumann, Assistant General Counsel

Before this meeting there had been sent to each member of the Board a draft of statement to be made by Chairman McCabe before the Senate Banking and Currency Committee on March 1, 1950, with respect to S. 2318, a bill to provide for control and regulation of bank holding companies.

During a discussion of the draft, Mr. Vest presented a memorandum dated February 25, 1950, which referred to recent correspondence with the National City Bank of New York and the First National Bank of Boston regarding amendments to the bank holding company bill (1) to exempt a situation in which a trust company operates for all practical purposes as the trust department of a bank, and (2) to exempt organiza-

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tions engaged in international or foreign banking operating under section 25 or section 25a of the Federal Reserve Act. The memorandum stated that a letter from Mr. Burgess, Chairman of the Executive Committee of the National City Bank of New York dated February 23, 1950, made some additional suggestions of a technical character regarding these amendments, that the legal division had considered his suggestions, and that it had revised the proposed amendments to take care of the points raised by Mr. Burgess. Mr. Vest read the proposed amendments stating that it was proposed that Chairman McCabe offer the amendments to the bill, S. 2318, when he appeared as a witness before the Banking and Currency Committee.

In this connection, at Chairman McCabe's request, Mr. Carpenter read a letter from the secretary of the Federal Advisory Council dated February 20, 1950, stating that the Council approves the bank holding company bill, S. 2318, subject to the inclusion of a satisfactory provision which would exempt wholly-owned or affiliated trust companies not doing a commercial banking business. The members of the Board who were present concurred in a suggestion that Chairman McCabe include this letter in the material which he would present to the Senate Banking and Currency Committee on March 1.

Following the discussion, it was agreed unanimously that the draft of statement would be revised along the lines suggested during the discussion, with the understanding

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that when in a form satisfactory to Chairman McCabe and Messrs. Vest and Townsend, it would be submitted to the Senate Banking and Currency Committee together with the proposed amendments to the bill.

Mr. Carpenter stated that the Bureau of the Budget had advised by telephone this morning that there would be no objection to submission to the Senate Banking and Currency Committee of the letter approved by the Board on February 24, 1950, to Chairman Maybank of the Senate Banking and Currency Committee with respect to the bill S. 2943 which would create in the executive offices of the President the office of a small business coordinator. However, he said it had been learned that the hearing on the bill originally scheduled for tomorrow had been postponed which suggested that, since it was no longer urgent that a report be submitted at this time, it might be desirable to defer sending the letter to Chairman Maybank until reports could be prepared in connection with other proposals including the bills introduced by Senators O'Mahoney and Lucas, S. 2975, a bill to establish corporations to assist financial institutions in making credit available to commercial and industrial enterprises and to provide capital for such enterprises, and S. 2947, a bill to amend the Reconstruction Finance Corporation Act, as amended, in order to provide more effective financial assistance for small business, on which the Board had been requested by the Senate Banking and

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Currency Committee to comment.

This suggestion was approved unanimously.

Mr. Carpenter then referred to the discussion at the meeting on February 24 of the application of American Trust Company, San Francisco, for permission to establish a branch in Woodland, California, and read a draft of telegram to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board in approving the establishment of the branch did so with the understanding that American Trust Company would increase its capital during the year 1950 by \$4 million as indicated in a letter from the Bank in connection with the application for a branch.

During a discussion of the draft telegram the view was expressed that the Board should not approve the establishment of the branch by American Trust Company until the bank made a written commitment to sell at least 100,000 shares of additional stock for at least \$4 million within the next six months.

This suggestion was discussed and it was understood that Mr. Millard would call Mr. Slade on the telephone and ask him to ascertain informally whether American Trust Company would be willing to make such a commitment.

Mr. Carpenter said that this morning he received a telephone call from Mr. Maloney of the investigating staff of the House Appropriations Committee in which the latter stated that the Committee was making a study

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of the functions performed by the Federal Reserve banks as fiscal agents for other agencies of the Government on a reimbursable basis for the purpose of determining whether these services should be performed by the agencies themselves and that he would like to discuss the matter with members of the Board staff. Mr. Carpenter stated that, in the absence of objection, members of the staff would meet with Mr. Maloney and report to the Board the results of the discussion.

At this point all of the members of the staff with the exception of Messrs. Carpenter, Sherman, and Kenyon withdrew, and the action stated 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 February 24, 1950, were approved unanimously.

Memorandum dated February 27, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending the appointment of Raymond J. Martin as operator (duplicating devices) in that Division on a temporary basis for a period of three months, with basic salary at the rate of \$2,450 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

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

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"In accordance with the request contained in your letter of February 17, 1950, the Board approves the appointment of G. C. Jinks, Jr., Lewis King and Levings Laney, at present assistant examiners, as examiners for the Federal Reserve Bank of Atlanta.

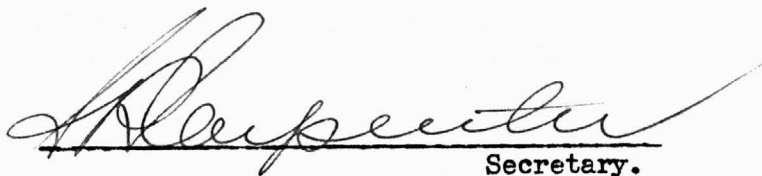
"If the appointments are not made effective March 1, 1950, as planned, please advise us."

Approved unanimously.

Letter to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

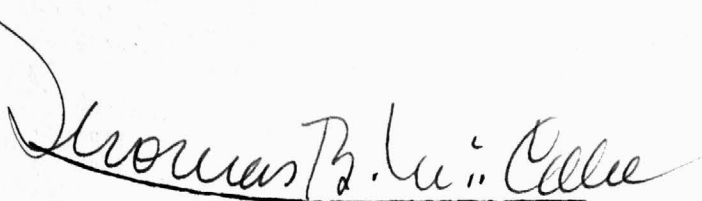
"In accordance with the request contained in your letter of February 20, 1950, the Board approves the appointment of W. B. Aker, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Kansas City. Please advise us of the date upon which the appointment becomes effective and also as to salary rate."

Approved unanimously.



Secretary.

Approved:



Chairman.