

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Tuesday, April 4, 1950.

PRESENT: Mr. Szymczak, Chairman pro tem.
Mr. Draper

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Kenyon, Assistant Secretary

Memorandum dated April 3, 1950, from Mr. Bethea, Director of the Division of Administrative Services, recommending an increase in the basic salary of Robert H. Craft, a guard in that Division, from \$2,450 to \$2,530 per annum, effective April 16, 1950.

Approved unanimously.

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

"Reference is made to your letter of March 25, 1950, advising that Mr. T. Bruce Robb, Director of Research, reached retirement age on January 31, 1950, and has been continued in active service under the provisions of the Board's letter of February 4, 1946, S-895, which permits his retention in active service for not more than an additional ninety days.

"In view of the circumstances described in your letter, the Board of Governors approves the payment of salary to Mr. Robb at his present rate of \$10,000 per annum for an additional period of not to exceed three months from April 30, 1950."

Approved unanimously.

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

"In its letter of April 12, 1948, the Board advised that it would authorize a 30-inch vault wall

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"without lining. This contemplated a wall with special reinforcement for vault purposes. It is noted from the material submitted with your letter of February 28, 1950, that upon advice of your vault consultant you are considering a three-foot vault wall of dense concrete with no special type of reinforcing and with the minimum amount of structural steel reinforcing necessary to hold the material in an integral mass. There are arguments for both types of construction, but the Board would have no objection if you should decide upon either the 30-inch wall with the special reinforcement or the 36-inch wall with only structural reinforcement, as proposed by your consultant.

"It is also noted that your consultant has suggested a 25-inch vault door, whereas the earlier preliminary plans mentioned that 16-inch doors were contemplated. The thickness of vault doors was considered in connection with the current building programs for the Portland, Seattle, and Detroit branches. Upon the understanding that a well-designed 20-inch door would be in balance with a 30-inch wall with special steel reinforcement, the Board felt that the provision of a thicker door would not be warranted. In the circumstances, the Board feels that it would not be justified in authorizing 25-inch doors for the Jacksonville Branch in the absence of information which would show that a 20-inch door would be inadequate."

Approved unanimously.

Letter to Mr. A. A. Rogers, Superintendent of Banks, 302

State Library Building, Salem, Oregon, reading as follows:

"In the absence of Chairman McCabe, who is presently out of the city, this is to acknowledge your letter of March 31, 1950, concerning the application of the proposed Bank of Illinois Valley, Cave Junction, Oregon, for membership in the System, and to thank you for bringing your understanding of the matter promptly to the attention of the Board.

"It appears that you are under the impression that the Board has refused to approve the bank's application on the grounds that the proposed \$40,000 capital is not adequate in the light of the estimated volume of business

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"and similar practical considerations. Instead, however, the position taken by the Board related only to certain statutory requirements governing the eligibility of State banks for membership in the Federal Reserve System.

"Paragraph 10 of section 9 of the Federal Reserve Act, as amended June 16, 1933, provides that:

'No applying bank shall be admitted to membership in a Federal reserve bank unless it possesses a paid-up unimpaired capital sufficient to entitle it to become a national banking association in the place where it is situated under the provisions of the National Bank Act, as amended: Provided, That this paragraph shall not apply to State banks and trust companies organized prior to the date this paragraph as amended takes effect and situated in a place the population of which does not exceed three thousand inhabitants and having a capital of not less than \$25,000, nor to any State bank or trust company which is so situated and which, while it is entitled to the benefits of insurance under section 12B of this Act, increases its capital to not less than \$25,000.'

"The National Bank Act provides, in effect, that no national banking association shall be organized with a capital of less than \$50,000. Therefore, under the above-quoted statutory provisions, no State bank organized after June 16, 1933, may be admitted to membership in the Federal Reserve System with a capital of less than \$50,000, unless the bank is entitled to the benefits of insurance under section 12B of the Federal Reserve Act. It is the Board's view that an organizing uninsured State bank is not entitled to the benefits of insurance under section 12B, and is not eligible for membership with less than \$50,000 capital, until it has applied for insurance, has been approved by the board of directors of the Federal Deposit Insurance Corporation, and has complied with any conditions precedent prescribed in connection with such approval.

"Accordingly, upon receipt of the application of the proposed Bank of Illinois Valley, the Board called attention to the fact that, in order to comply with

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"the statutory requirements for admission to membership in the Federal Reserve System, it would be necessary for the bank either to increase its capital to \$50,000, or to apply for and become entitled to the benefits of deposit insurance prior to admission to membership."

Approved unanimously.

Letter to Honorable Burnet A. Maybank, Chairman, Committee on Banking and Currency, United States Senate, Washington 25, D. C., reading as follows:

"This refers to Mr. McMurray's letter addressed to Chairman McCabe, dated September 14, 1949, requesting an opinion as to the merits of S. 2547 to amend section 5219 of the Revised Statutes of the United States, as amended, relating to State taxation of national banks.

"Our understanding is that the bill S. 2547 is the product of negotiations extending over a period of several years between committees of the American Bankers Association and the National Tax Association, and that it is intended primarily to clarify the existing law by removing uncertainties and arranging the provisions of the statute in a more orderly sequence. In certain particulars, however, the bill would give to the States greater latitude in taxing national banks. Thus, the bill would authorize the States to impose sales and use taxes on national banks; to impose a minimum tax where the excise method of taxation of national banks is followed; and - where a tax is not also imposed on the shares of national banks - to impose a tax on the tangible personal property of the banks, excluding coin, bullion, and currency.

"Pursuant to requests of the American Bankers Association prior to the introduction of S. 2547, the Association was advised that the Board would interpose no objection to proposed amendments identical with those now contained in that bill.

"In the circumstances, you are advised that the Board will interpose no objection to the enactment into law of the bill S. 2547.

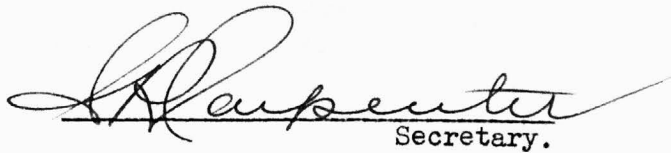
"In accordance with the procedure outlined for the clearance of matters of this kind with the Bureau

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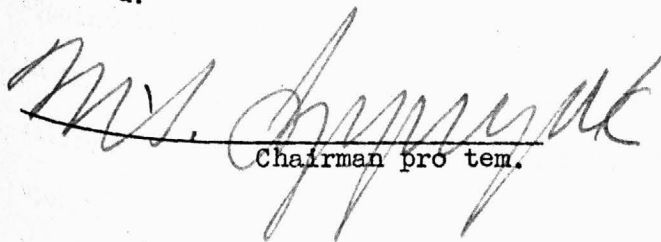
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"of the Budget, we have just been advised that there is no objection to the submission of this report."

Approved unanimously.


Secretary.

Approved:


Chairman pro tem.