

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 19, 1950. The Board met in the Board Room at 12:20 p.m.

PRESENT: Mr. McCabe, Chairman
Mr. Eccles
Mr. Evans

Mr. Carpenter, Secretary
Mr. Sherman, Assistant Secretary
Mr. Morrill, Special Adviser
Mr. Vest, General Counsel
Mr. Millard, Director, Division
of Examinations
Mr. Townsend, Solicitor
Mr. Baumann, Assistant General Counsel
Mr. Hostrup, Assistant Director,
Division of Examinations

Mr. Vardaman requested that these minutes show that he had an appointment with a Senator at 12:30 p.m. today and therefore would not attend this meeting.

Chairman McCabe stated that in accordance with the discussion at the meeting of the Board yesterday, members of the staff had met this morning for the purpose of considering the position that might be taken when he met with Mr. Delano, Comptroller of the Currency, in response to the request of Senator Robertson, for the purpose of seeing what agreements could be reached in connection with the substitute bank holding company legislation which Senator Robertson stated he would like to have printed tomorrow. Chairman McCabe said that he had participated in part of the staff discussion and would like to suggest that in his discussion with Mr. Delano he take substantially the following position:

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The Board would be willing to accept the requirement of 50 per cent stock ownership provided in the definition of a bank holding company contained in the substitute bill, provided the substance of the provisions contained in S. 2318 with respect to discretion for the inclusion or exclusion of bank holding companies from the provisions of the bill were written into the definition. The Comptroller of the Currency has objected to the placement in the Board of Governors of the discretionary authority contemplated in S. 2318 and in order to meet that objection the Board would be willing to accept a compromise which would provide that all of the supervisory or discretionary powers of the three Federal bank supervisory agencies provided in the bill with respect to bank holding companies and their subsidiaries would be exercised by the unanimous action of the three agencies. The bill should preserve the right of appeal from these unanimous decisions. This authority would relate to the inclusion or exclusion of bank holding companies from the provisions of the bill, the acquisition of assets, the acquisition of stock, the establishment of branches, supervision, inspection, examination, investigation, subpoena, and all other regulatory matters. It is also the view of the Board that the provisions in the present law with respect to voting permits should be repealed. As indicated above, the provisions of the bill should apply to the acquisition of assets by subsidiary banks and to the establishment of branches by such banks. It should also contain adequate provisions for investigation and examination of bank holding companies and their subsidiaries and adequate enforcement authority, including the right of the subpoena power.

Following a discussion, Chairman McCabe's suggestion was approved unanimously.

At this point all of the members of the staff with the exception of Messrs. Carpenter and Sherman withdrew, and the action stated with respect to each of the matters hereinafter referred to was taken by the Board:

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Letter to Senator Maybank, prepared for the signature of the Chairman in accordance with the discussion at the meeting on April 14, 1950, and reading as follows:

"The Board appreciates very much your letter of April 13 to which you attached a letter dated April 8, 1950, from Silliman Evans, President and Publisher, Tennessean Newspapers, Inc., Nashville, Tennessee, regarding a letter written by Mr. Fort, Vice President in charge of the Nashville Branch of the Federal Reserve Bank of Atlanta, to a candidate in a local election.

"The Board has already taken action on this matter. Upon being informed that such a letter had been written by Mr. Fort, the Board promptly communicated with the Federal Reserve Bank of Atlanta. The Bank has now reported that Mr. Fort has been advised that a recurrence of a similar situation could not be countenanced by the Atlanta Bank or the Board of Governors and that he should take every precaution not to become involved in such a situation in the future.

"As you know, since the very early days of the Federal Reserve System it has been the announced policy of the Board of Governors that officers and directors of Federal Reserve Banks should not permit themselves to become identified with partisan political activities. The Board regrets very much Mr. Fort's failure to observe this policy in this case. However, after carefully reviewing all the circumstances, of which we have been fully informed by the Federal Reserve Bank of Atlanta, the Board is satisfied that there will not be a similar occurrence.

"A member of the Board's senior staff will be in Nashville this week and will call on Mr. Evans. If, after the interview of our staff member with Mr. Evans, there are any additional phases of this matter that should have consideration, you can be assured they will have the attention of the Board."

Approved unanimously, together
with similar letters to Senators Cain,
Fulbright, and Sparkman, and Represent-
ative Patman.

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Letter to Mr. Roger W. Jones, Assistant Director,
Legislative Reference, Bureau of the Budget, Washington 25, D. C.,
reading as follows:

"This is in response to your letter of April 6, 1950, enclosing a proposed report by the Postmaster General with respect to the bill H.R. 6456, to amend section 7 of the Postal Savings Act, and requesting an expression of views by the Board of Governors regarding this proposal.

"Under the present law, interest at the rate of 2 per cent per annum is required to be paid on deposits in postal savings depositories, except that section 8 of the Postal Savings Act provides that the rate may not exceed that which may lawfully be paid on savings deposits by member banks in the locality in which the postal savings depository is situated under regulations prescribed by the Board of Governors of the Federal Reserve System. The bill H.R. 6456 would authorize the Board of Trustees of the Postal Savings System to increase or decrease the rate of interest payable on postal savings deposits to not more than 2 per cent and to not less than 1 per cent per annum, any such increase or decrease to take effect on the 1st of January or the 1st of July after not less than three months' public notice.

"It is understood that the maximum rate payable on postal savings deposits would continue as at present to be limited by the maximum rate prescribed by the Board of Governors of the Federal Reserve System with respect to interest paid on savings deposits by member banks of the Federal Reserve System, since section 2 of the bill provides that nothing therein shall be deemed to supersede any provision of section 8 of the Postal Savings Act.

"Under this Board's Regulation Q, prescribed pursuant to section 19 of the Federal Reserve Act, member banks are prohibited from paying interest on any savings deposit at a rate in excess of 2 1/2 per cent per annum, provided that if a lower maximum rate is prescribed by State law member banks may not pay interest at a rate in excess of such lower maximum rate. At the present time, most member banks are

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"actually paying interest on savings deposits at a rate much less than the 2 1/2 per cent maximum rate prescribed by the Board of Governors, the average rate being somewhat less than 1 per cent. The bill H.R. 6456 authorizes a procedure for changes in the rate of interest payable on postal savings deposits in post office depositories which would make it possible to diminish the present wide differential between the rate of interest paid on such deposits and the rate currently paid by banks on the savings deposits of their customers.

"In the circumstances, the Board of Governors has no objection to the enactment of this bill."

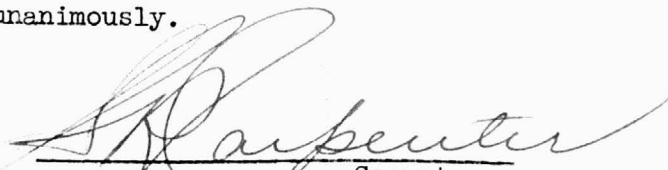
Approved unanimously.

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

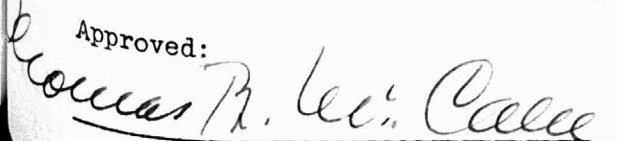
"Reference is made to your letter of April 11, 1950, submitting the request of The Fidelity Trust Company, Baltimore, Maryland, for permission to establish a branch in the Administration Building of the Friendship International Airport, which is located in Anne Arundel County about five miles from the City of Baltimore.

"In view of your recommendation, the Board of Governors approves the establishment and operation of a branch in the Administration Building of the Friendship International Airport, Anne Arundel County, Maryland, by The Fidelity Trust Company, Baltimore, Maryland, provided (a) the branch is established within six months of the date of this letter and (b) that formal approval is obtained from the appropriate State authorities; and with the understanding that Counsel for the Reserve Bank will review and satisfy himself as to the legality of all steps taken to establish the branch."

Approved unanimously.


Secretary.

Approved:


Chairman.

Chairman.