

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, February 28, 1951.

PRESENT: Mr. McCabe, Chairman  
Mr. Szymczak  
Mr. Evans  
Mr. Vardaman  
Mr. Norton  
Mr. Powell

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 27, 1951, were approved unanimously.

Memorandum dated February 21, 1951, from Mr. Hilkert, Acting Director of the Division of Personnel Administration, recommending increases in the basic annual salaries of the following employees in that Division, effective March 4, 1951:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Miss June E. Ayers	Administrative Assistant	\$4,975	\$5,400
Rodney H. Van Devanter	Administrative Assistant	4,850	5,400

Approved unanimously.

Memorandum dated February 27, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending increases in the basic annual salaries of the following employees in that Division, effective March 4, 1951:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Irving Schweiger	Economist	\$5,400	\$5,600
Stanley J. Sigel	Economist	5,400	5,600

Approved unanimously.

2/28/51

-2-

Memorandum dated February 26, 1951, from Mr. Young, Director of the Division of Research and Statistics, recommending an increase in the basic salary of Mrs. June E. Crawley, a clerk in that Division, from \$2,810 to \$2,955 per annum, effective March 4, 1951.

Approved unanimously.

Memorandum dated February 26, 1951, from Mr. Carpenter, Secretary of the Board, recommending that the temporary appointment of Mrs. Jean F. Stockwell, a file clerk in the Office of the Secretary, be extended on a permanent basis, effective immediately, with no change in her present basic salary at the rate of \$2,730 per annum.

Approved unanimously.

Memorandum dated February 27, 1951, from Mr. Horbett, Assistant Director of the Division of Bank Operations, recommending that the resignation of Mrs. Margaret C. Gough, a clerk-stenographer in that Division, be accepted to be effective, in accordance with her request, at the close of business March 9, 1951.

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent of the Federal Reserve Bank of Atlanta, reading as follows:

"In accordance with the request contained in your telegram of February 27, 1951, the Board of Governors approves the appointments of Mr. Stuart H. Magee and Miss Anna Lou Cullom as Federal Reserve Agent's Representatives at the Nashville Branch, with salaries



2/28/51

-3-

"at the rates of \$4,360 and \$3,053 per annum, respectively.

"This approval is given with the understanding that Mr. Magee and Miss Cullom will be placed upon the Federal Reserve Agent's pay roll and will be solely responsible to him or, during a vacancy in the office of the Federal Reserve Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Vice President in charge of the Nashville Branch, perform such work for the Branch as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

"Mr. Magee and Miss Cullom should execute the usual oaths of office which should be forwarded to the Board together with advice of the effective date of their appointments."

Approved unanimously.

Letter to Mr. Slade, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of February 17, 1951, regarding the establishment of a teller's window office by a State member bank on a parking lot in the vicinity of its main office but not actually contiguous thereto.

"As you know, State member banks are subject to the same limitations and restrictions as are applicable to national banks in the establishment of out-of-town branches, and section 5155 of the Revised Statutes of the United States provides that, with respect to national banks, the term 'branch' shall include any 'additional office' at which deposits are received or checks paid.

"The question involved appears to be much the same as that raised in connection with the establishment of a similar facility near the Modesto office of the American Trust Company, San Francisco,

2/28/51

-4-

"California, except that the facility presently proposed will be within the head office city and the approval of the Board of Governors would not be required. Under California law, a bank or branch may operate a portion of its business in the same vicinity without establishing an additional branch, but the Board stated in its telegram of August 1, 1950, that the proposed facility in Modesto would be considered a branch under Federal law. Accordingly, the Board's permission was obtained.

"No question has been raised with or information received by the Board in connection with the facilities to be provided in Hartford, Connecticut, to which you refer."

Approved unanimously.

Letter to Honorable H. E. Cook, Director, Federal Deposit Insurance Corporation, Washington 25, D. C., reading as follows:

"Reference is made to your letter of February 19, 1951, concerning the application of the 'Bank of New Hyde Park', New Hyde Park, New York, for continuance of insurance after withdrawal from membership in the Federal Reserve System.

"No corrective programs have been urged upon the bank, or agreed to by it, in connection with which the Board of Governors would consider it desirable to incorporate conditions with respect to continuance of insurance.

"The asset condition of the bank is considered sound and its management satisfactory. While the capital total-asset ratio is below average the bank has made substantial additions to the account through retention of earnings."

Approved unanimously.

Letter to Mr. R. G. Brown, Vice President and Trust Officer, National Bank of Commerce, Memphis, Tennessee, reading as follows:

"Receipt is acknowledged of your letter of February 20, 1951, in which you inquire with regard to the need for authority from this Board as a prerequisite to the establishment of a common trust fund under the provisions of Section 17 of the Board's Regulation F.



2/28/51

-5-

"While common trust funds may be established and maintained in accordance with the provisions of this section only if the laws of the State in which the national bank is located authorize or permit State banks, trust companies, or other corporations which compete with national banks to invest trust funds in such manner, no formal authority or permit in this connection is required from the Board of Governors of the Federal Reserve System.

"A copy of Regulation F, with amendments to date, is enclosed for your convenience. We are sending copies of your letter and our reply to the Federal Reserve Bank of St. Louis, and it is suggested that you communicate with that bank if you have any further inquiries concerning this matter."

Approved unanimously.

Letter to Mr. R. M. Gidney, Chairman, Committee on Bank Supervision, Conference of Presidents, Federal Reserve System, Federal Reserve Bank of Cleveland, Cleveland 1, Ohio, reading as follows:

"Reference is made to your letter of February 2, 1951, regarding the provisions of section 32 of the Banking Act of 1933 as applied to interlocking relationships involving open end investment trusts.

"In the cases involving directors of national banks cited in your letter, the current reports of examination of such banks indicate that the examiners noted no violation of section 32 and, in fact, the investment trusts were not listed among the interests of the directors concerned. In the one case involving a State member bank, the report cited the possible violation and stated that the question was under review by the Reserve Bank.

"In 1942 the Board considered a suggested amendment to Regulation R which would have permitted officers, directors and employees of open end investment companies to serve as officers, directors and employees of member banks. In its letter of March 6, 1942, copies of which were sent to the Presidents of all the Reserve Banks, the Board said:

'The matter has been studied in some detail, and the Board is of the opinion that it would not be desirable at this time to make the suggested amendment.' (Underscoring supplied.)

"For your information, the proposed amendment considered by the Board read as follows:

2/28/51

-6-

"Insert "(a)" at the beginning of the last paragraph of section 2 of the Regulation, and add the following new paragraph at the end of that section:

'(b) Any director, officer or employee of any open end investment company may be at the same time a director, officer or employee of any member bank of the Federal Reserve System (except when otherwise prohibited<sup>3</sup>), Provided such investment company is not engaged in the issue, flotation, underwriting, public sale or distribution, at wholesale or retail, or through syndicate participation, of any stocks, bonds or other similar securities except securities of which it is the issuer; and Provided further that the board of directors of such member bank shall have adopted a resolution (1) stating that such bank will not purchase any securities that are hereafter issued by such investment company, either for its own account or for any trust or other account in which the bank has power to control investment policies; (2) stating that it will not advise its customers to buy any such securities as investments; and (3) directing that notice be given to the appropriate persons in the bank to be governed accordingly.'

"It is noted that the matter is on the agenda for the Presidents' Conference and it is understood that some of the Presidents may have an interest in presenting the matter for reconsideration by the Board. In the circumstances, the Board will be glad to consider the matter in the light of the discussion at the Presidents' Conference, and any recommendation that the conference may wish to make as to the action that should be taken by the Board."

Approved unanimously.

Letter to Mr. Millard, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of February 8, 1951, in which you enclosed a copy of a letter dated February



2/28/51

-7-

"2, 1951, from the Northern California Regional Office of The Prudential Life Insurance Company of America, in which they requested an opinion concerning the applicability of Regulation X to a case where credit is extended to a builder for the purpose of operating capital in his construction work, at least a portion of which is to be used for the purchase of materials in connection with the new construction of residences.

"As you stated, it is difficult to arrive at a statement having general application in all such cases, but to the extent that the proceeds of such loans are to be used in part at least for the purpose of financing the new construction of residences, the conclusion is inescapable that to the extent the loans are for that purpose they constitute extensions of real estate construction credit which are subject to Regulation X.

"It is recognized that financing arrangements of the kind referred to in your letter may be rather commonly used to provide construction credit, and the Board has no desire to interfere unnecessarily with accepted methods of financing. However, it would not seem to be particularly difficult to ascertain the purposes for which such credit is to be used and to comply with the provisions of the regulation, or to modify the arrangements so that the credit would fall within one of the exemptions in section 5 of the regulation. In any event, provision has been made in the regulation for the exemption of certain short-term construction credit and certain credit in connection with materials, articles and services used in new construction, and we do not feel at this time that it would be desirable to broaden these exemptions."

Approved unanimously.

Letter to W. E. Hanson, Esq., Connecticut General Life Insurance Company, Hartford 15, Connecticut, reading as follows:

"This refers to your letter of February 22, 1951, in which you raised a question concerning the amortization provision in Schedule III of the Supplement to Regulation X, as amended effective February 15, 1951.

2/28/51

-8-

"The Board issued an interpretation of the regulation on February 23, 1951, which, in effect, will allow amortization to be calculated on the basis of a 25 year constant plan allowing the loan to be written for a shorter period with a balloon payment on the date of maturity. This interpretation will be published in the Federal Register within the next few days. The text of the interpretation is as follows:

"Clause (2) of the amortization provision in Schedule I and the amortization provision in Schedule III of the Supplement to Regulation X provide for amortization payments which 'will fully liquidate the original principal amount of such credit not later than the date of the maturity of the credit \* \* \*'.

"In cases where the maturity of credit subject to the regulation is less than the maximum permitted by the regulation, it is the opinion of the Board that the amortization provisions referred to above will be complied with if amortization payments are made until the maturity of the credit which, had they been continued until the maximum permissible maturity, would have fully liquidated the original principal amount of such credit by the date of such maximum permissible maturity.

"For example, if the maximum maturity is 20 years, and the credit has a maturity of 10 year, the amortization provisions would be complied with if amortization payments are made during the 10 years which, had they been continued for 20 years, would have fully liquidated the original principal amount of such credit within 20 years."

Approved unanimously.

Memorandum dated February 27, 1951, from Mr. Bethea, Director of the Division of Administrative Services, recommending that that Division be authorized upon delivery of a 1951 Chrysler Windsor Limousine, to sell the 1942 Chrysler Royal, on a sealed bid basis,




2/28/51

-9-

to the highest bidder among local licensed used car dealers.

Approved unanimously.

  
Secretary.