

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Wednesday, April 18, 1951.

PRESENT: Mr. Martin, 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 April 17, 1951, were approved unanimously.

Memorandum dated April 10, 1951, from Mr. Leonard, Director of the Division of Bank Operations, recommending increases in the basic annual salaries of the following employees in that Division, effective April 29, 1951:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Gerald M. Conkling	Chief, Member Bank Section	\$8,800	\$9,000
Mortimer B. Daniels	Chief, Reserve Bank Operations Section	8,400	8,600

Approved unanimously.

Letter to Mr. Harvey, Vice President and Cashier of the Federal Reserve Bank of Boston, reading as follows:

"In view of the circumstances described in your letter of April 16, 1951, the Board of Governors approves the payment of salaries to E. Isabel Savage and Francis L. Myers at the rates of \$3,300.00 and \$3,180.00 per annum, respectively, which salaries are in excess of grade maximums."

Approved unanimously.

4/18/51

-2-

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

"In accordance with the request contained in your letter of April 16, 1951, the Board approves the designation of the following individuals as special assistant examiners for the Federal Reserve Bank of Richmond:

John F. Bohannon	Thomas P. Hylton
Bernard L. Cummings	Chester D. Porter, Jr.
Harry E. Dunn	Straughan S. Richardson
Welford S. Farmer	John J. Withers
William B. Harrison, III	John F. Yancey"

Approved unanimously.

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

"In accordance with the request contained in your letter of April 13, 1951, the Board approves the designation of the following as special assistant examiners for the Federal Reserve Bank of Atlanta:

<u>Birmingham Branch</u>	<u>Nashville Branch</u>
C. N. Hamilton	T. L. Webster"

Approved unanimously.

Letter to Mr. Rounds, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"As requested in your letter of April 9, 1951, the Board authorizes the Federal Reserve Bank of New York to proceed with the installation of fluorescent lighting and the necessary revisions to the electrical distribution system throughout the main bank building, as outlined in your letter. It is understood that the estimated cost of the complete project is in the neighborhood of \$635,000."

Approved unanimously.

4/18/51

-3-

Letter to Mr. Winthrop W. Aldrich, Chairman of the Board,
The Chase Bank, New York, New York, reading as follows:

"This is with further reference to your letter of December 19, 1950, and the supplemental letter of February 28, 1951, from your counsel, Mr. William M. Evarts, of the firm of Milbank, Tweed, Hope and Hadley, regarding the possible investment by The Chase Bank in the stock of a corporation to be organized under the laws of the United States of Brazil. Both letters were transmitted to the Board of Governors through the Federal Reserve Bank of New York.

"The present plan, as indicated in your letter, is that a corporation would be organized in Brazil with an authorized capital not exceeding Cruzieros 100,000,000 (approximately U.S. \$5,000,000 at present rates of exchange); that The Chase Bank will subscribe for approximately 26 per cent of such authorized capital; that the International Basic Economy Corporation, a corporation organized under the laws of New York, will be a subscriber to the extent of approximately 25 per cent of such authorized capital; and that the remaining 49 per cent of such authorized capital will be subscribed for by various Brazilian or other interests. Ten per cent of the authorized capital would be paid for upon subscription for the stock and the balance would be payable from time to time upon call of the directors of the corporation. Under the present proposal the ultimate investment in the capital of such corporation by The Chase Bank would be approximately Cruzieros 26,000,000, which at present rates of exchange is approximately U.S. \$1,300,000. The present capital and surplus of The Chase Bank is \$12,000,000, 10 per cent of which is \$1,200,000.

"It is stated that the proposed corporation would have power generally to purchase and sell corporate and other types of securities in Brazil and otherwise to deal in the same as underwriter (alone or with others), or as agent or broker and have such other powers as may be deemed suitable and desirable in relation to the performance of such activities. It is noted that it is not contemplated that such corporation would engage in any business in the United States of America

4/18/51

-4-

"except possibly such as in the judgment of the Board of Governors of the Federal Reserve System would be incidental to its international or foreign business.

"The Board understands your present request to be in the nature of a general statement of a proposal, particularly since it does not appear that steps have been taken to draw articles of incorporation which would more definitely describe the powers of the proposed corporation. The Board has considered the proposal in that light and is inclined to feel that the proposed plan has possibilities of benefit to both this country and Brazil.

"Accordingly, on the basis of the information presented, you are advised that upon presentation of a specific application for the investment by your bank in the stock of a corporation organized on the basis indicated, the Board would be prepared to take favorable action upon the application, subject to the conditions outlined below.

"These conditions are believed to be consistent with your proposal and largely implicit in it, but it seems advisable that certain features be expressly stated in order to avoid any misunderstanding concerning the fact that appropriate separation between commercial banking, i.e., deposit banking, and investment banking is to be maintained.

"As you know, the principle of such separation for all banking operations in the United States is expressly stated in acts of Congress. Operations abroad of corporations organized under section 25(a) of the Federal Reserve Act naturally must to some extent be influenced by the conditions and practices of the countries in which the operations are conducted. However, a similar principle for such corporations is stated in the Board's Regulation K. Sections XIII and XIV provide that if any such corporation has outstanding debentures, bonds, notes, or other such obligations issued by it, the corporation may not accept drafts or bills of exchange and may receive abroad only such deposits as are incidental to the conduct of its exchange, discount or loan operations.

"In order to maintain the separation of commercial and investment banking insofar as operations in the United States are concerned, the Board feels that before formal submission of a specific application, suitable steps should be taken -- including such things as appropriate

4/18/51

-5-

"provisions in the charter of the proposed Brazilian corporation and any other measures that may be needed -- to assure that the proposed corporation will not participate directly or indirectly in the underwriting, sale or distribution, at wholesale or retail, of securities of any issue that is wholly or partly underwritten, sold or distributed, at wholesale or retail, in the United States of America unless such activities in the United States are permitted under United States law to banks that are engaged in the business of receiving deposits. This would be in addition to the specific requirement in the law that the corporation will not transact any business in the United States except such as in the judgment of the Board of Governors of the Federal Reserve System would be incidental to its international or foreign business.

"It is not intended to prevent the proposed Brazilian corporation from selling in Brazil long outstanding securities merely because they may in the past have been the subject of a separate and unrelated underwriting, sale or distribution in the United States. It also is not intended to prevent the proposed corporation from carrying out in Brazil any transactions with respect to securities that a bank of deposit organized and operating in the United States would be permitted to carry out in this country.

"It is assumed that the proposed Brazilian corporation would not combine commercial banking and investment banking in its own operations in Brazil. The Chase National Bank and The Chase Bank do not now have branches in Brazil or own stock in any commercial bank in Brazil. Therefore, it appears that the investment which The Chase Bank is now considering making in the proposed Brazilian corporation would not present any question of direct or indirect commingling of commercial and investment banking in Brazil. Since that consideration is a factor in the Board's favorable conclusion in the present matter, it is natural to assume that they may be taken into account at that time in case The Chase National Bank or The Chase Bank should apply for the establishment of such a branch or the making of such a purchase while having an interest in the presently proposed corporation.

"It will be appreciated if you will keep the Board of Governors advised through the Federal Reserve Bank of New York of any developments in connection with the proposed corporation."

4/18/51

-6-

Approved unanimously for
transmittal through the Federal
Reserve Bank of New York.

Letter to the Honorable Frederick J. Lawton, Director,
Bureau of the Budget, Washington, D. C., reading as follows:

"The Committee on Expenditures in the Executive Departments, by letter dated March 19, 1951, has requested the Board to report on S. 1139, a bill 'Making certain changes in laws applicable to regulatory agencies of the Government so as to effectuate the recommendations regarding regulatory agencies made by the Commission on Organization of the Executive Branch of the Government.'

"There are enclosed four copies of a proposed report representing the Board's views on S. 1139. Please advise us as to the relationship of this legislation to the program of the President.

"In this connection you will note that the Board submitted a report to Congress on a similar bill, S. 2340, in September 1949 and our records show that the Director of the Budget advised the Chairman of the Board at that time that there was no objection on the part of the Budget Bureau to the submission to Congress of the report which we made on S. 2340."

Approved unanimously.

Letter to Mr. R. F. Campbell, R. F. Campbell Finance
Company, Oklahoma City, Oklahoma, reading as follows:

"This refers to your letter of March 29, 1951, commenting on the terms of Regulation W relative to automobile financing.

"The provisions of the regulation are constantly under study by the Board's staff and the staffs of the Federal Reserve Banks, with the aim of keeping the provisions constantly adapted to current economic conditions and conditions in the consumer credit field. In an economic situation

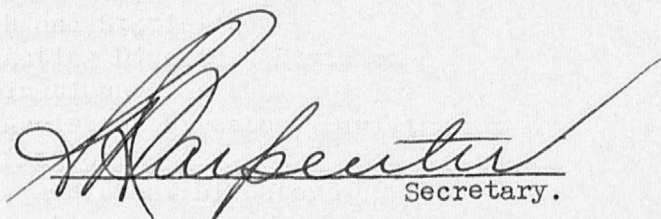
4/18/51

-7-

"as flexible and uncertain as at present, the Board must be prepared to move at any time on short notice. You may be assured that any move the Board might make will be a result of serious study of all the relevant factors, including the opinion of persons such as yourself and of trade organizations. It is unfortunate that rumors must add to the burden at a time when people are already pressed to comply with a variety of regulations and controls.

"Thank you for your views in the matter; we are always happy to receive informed and considered opinions from those persons and businesses who must live and operate under the regulation."

Approved unanimously.


Secretary.