

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Friday, August 24, 1951.

PRESENT: Mr. Martin, Chairman  
Mr. Evans

Mr. Carpenter, Secretary  
Mr. Kenyon, Assistant Secretary

Telegrams to the Federal Reserve Banks of Boston, New York, Philadelphia, Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Kansas City, Dallas, and San Francisco stating that the Board approves the establishment without change by the Federal Reserve Bank of St. Louis on August 20, by the Federal Reserve Bank of San Francisco on August 21, by the Federal Reserve Banks of Richmond and Atlanta on August 22, by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago, Minneapolis, Kansas City, and Dallas on August 23, 1951, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated August 22, 1951, from Mr. Marget, Director, Division of International Finance, recommending an increase in the basic salary of Mrs. Esther G. Crews, Clerk in that Division, from \$4,075 to \$4,200 per annum, effective September 2, 1951.

Approved unanimously.

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

8/24/51

-2-

"Reference is made to your letter of August 15, 1951, requesting that Mr. John P. Blanchard, Assistant Manager of the Portland Branch, and Mr. Bertram A. Russell, Assistant Manager of the Seattle Branch, be retained in active service through June 30, 1952.

"For the reasons outlined in your letter the Board of Governors approves the payment of salary to Mr. Blanchard at the rate of \$6,500 per annum for the period May 1, 1952, through June 30, 1952, or at such other rate as may subsequently be fixed by the directors and approved by the Board of Governors.

"The Board of Governors also approves the payment of salary to Mr. Russell at the rate of \$9,500 per annum for the period May 1, 1952, through June 30, 1952, or at such other rate as may subsequently be fixed by the directors and approved by the Board of Governors."

Approved unanimously.

Telegram to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, authorizing him to issue a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to BancOhio Corporation, Columbus, Ohio, entitling that organization to vote the stock which it owns or controls of The Knox County Savings Bank, Mount Vernon, Ohio, subject to the following condition stated in the telegram:

1. Prior to the issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in form accompanying Board's letter S-964 (F.R.L.S. #7190).

Approved unanimously.

Telegram to Mr. Rouse, Vice President of the Federal Reserve Bank of New York, reading as follows:

8/24/51

-3-

"Your wire August 23. Board approves granting of loan or loans by your Bank to Banque Centrale de la Republique de Turquie not to exceed \$10,000,000.00 in the aggregate at any time outstanding on the following terms and conditions:

- a. Such loan or loans to be made up to 98 per cent of the value of gold bars set aside in your vaults under pledge to you;
- b. Such loan or loans to run for three months but may be repaid at any time before maturity;
- c. Any such loan or loans to be requested and made on or before March 31, 1952;
- d. Each such loan to bear interest from the date such loan is made until paid at the discount rate of your Bank in effect on the date on which such loan is made;
- e. The amount advanced at any one time and the amount repaid at any one time to be in round amounts of not less than \$500,000.00.

"It is understood that the usual participation will be offered to the other Federal Reserve Banks."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"Attached is a copy of a letter which the Chairman of the Board recently received from the Secretary of the Treasury with respect to possible transactions by commercial banks to acquire Treasury bonds not yet eligible for purchase by such banks but becoming eligible at an early date. We understand that Mr. Bartelt, the Fiscal Assistant Secretary of the Treasury, has already transmitted to you a copy of this letter, together with a restatement of a telegram which he sent to all Reserve Banks on May 17, 1946.

"The Board would join the Secretary of the Treasury in urging the discouragement of the practices contrary to the spirit and intent of the Treasury Department's regulations governing the ownership of these securities. We suggest that your bank examiners and public relations officers be prepared to remind the banks with whom they have contact of such regulations as well as to report any



8/24/51

-4-

"transactions contrary to such regulations which may be disclosed in the examination of banks. The Board would be glad to be informed of any action which you take or reports which you may make to the Secretary on this matter."

Approved unanimously.

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

"Reference is made to recent telephone conversations had with you and the letter dated August 22, 1951, received by you from Marine Midland Corporation, Jersey City, New Jersey, regarding the dividend policy of that Corporation.

"The dividend policy of the subject corporation, as we understand it, is that dividends will be declared only from actual net earnings accumulated since December 31, 1941. Dividends from the Corporation's subsidiaries included in such actual net earnings will be only such dividends as are paid out of net earnings of the subsidiaries accumulated since December 31, 1934. Such net earnings in the case of banking subsidiaries are to be computed in accordance with their earnings and dividends reports. This understanding of the Corporation's dividend policy is the same as that expressed in the Board's letter of September 19, 1942 to Mr. Gidney.

"The above method of computing actual net earnings is, as you know, in our opinion, in accordance with the requirements of section 5144 of the Revised Statutes, and imposes no obligation upon the Corporation in addition to that contained in the statute.

"You may, if you desire, furnish a copy of this letter to the Marine Midland Corporation."

Approved unanimously.

Letter to Clarence A. Bradford, Esq., 932 Buhl Building, Detroit, Michigan, reading as follows:

"We have your letter of August 20, 1951, making further reference to the matter regarding Regulation W which was the subject of our letter of August 8, 1951.

8/24/51

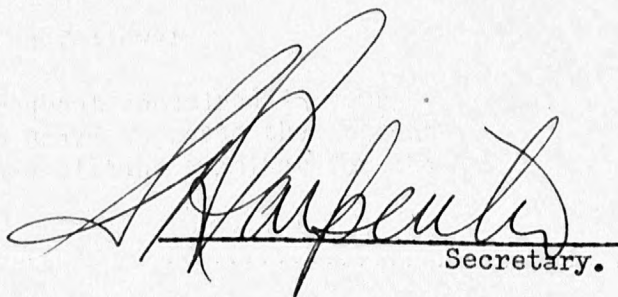
-5-

"After reviewing your letters on this matter and our letter of August 8, it occurs to us that you may have misread our letter. In discussing our letter you say that: 'In the fourth paragraph of your letter, you state that the form of our lease appeared little, if any, different from ordinary conditional sale or chattel mortgage arrangements.' However, if you will refer to that paragraph of our letter you will find that it states, instead, that: 'In those instances in which the contracts appear to be subject to the regulation, the substance, though perhaps not the form, appears little if any different from ordinary conditional sale or chattel mortgage arrangements.' (Underscoring supplied.)

"Throughout the Executive Order that the Congress directed the Board to follow in regulating consumer credit, the emphasis is on substance rather than form. This is evident in the definition of 'extension of credit'. The breadth of that definition and the inclusion of 'any transaction or series of transactions having a similar purpose or effect' stress the fact that substance, not form or technicalities, should control. At various other places the Order emphasizes that it is concerned with the substance of transactions.

"When the facts that you have presented to us are considered in the light of the features mentioned above and in our letter of August 8, it seems clear that the arrangements in question are subject to the regulation. We wish to assure you again, however, that we would be glad to consider any further information or any memorandum you might wish to present, and if you would like to discuss the matter here with appropriate members of the Board's staff we would be glad to arrange an appointment for the purpose."

Approved unanimously, with copies  
to the Honorable Homer Ferguson, United  
States Senate, Washington, D. C., and  
Mr. Bloomfield, Assistant Vice President,  
Detroit Branch, Federal Reserve Bank of  
Chicago.

  
Secretary.