

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Monday, February 25, 1952. The Board met in the Board Room at 10:30 a.m.

PRESENT: Mr. Martin, Chairman  
Mr. Szymczak  
Mr. Evans  
Mr. Vardaman  
Mr. Powell  
Mr. Mills  
Mr. Robertson

Mr. Carpenter, Secretary  
Mr. Sherman, Assistant Secretary  
Mr. Kenyon, Assistant Secretary  
Mr. Riefler, Assistant to the Chairman  
Mr. Leonard, Director, Division of Bank  
Operations  
Mr. Vest, General Counsel  
Mr. Sloan, Director, Division of  
Examinations  
Mr. Chase, Assistant Solicitor  
Mr. Hackley, Assistant General Counsel  
Mr. Hostrup, Assistant Director, Division  
of Examinations  
Mr. Thompson, Federal Reserve Examiner,  
Division of Examinations

There was a continuation at this meeting of the discussion commenced at the meeting on February 21, 1952 concerning the provisions of bill H.R. 6504, the Bank Holding Company Act of 1952.

Mr. Sloan summarized the contents of his memorandum to the Board of February 21, 1952 regarding certain provisions of the bill. He said that the Division of Examinations concurred in the opinion expressed by Mr. Vest at the meeting on February 21 that the bill would be generally

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acceptable in its present form and that his memorandum was concerned principally with certain administrative problems which might be encountered if the legislation went into effect. Mr. Sloan pointed out particularly that the bill would not require a bank holding company to build up a fund of readily marketable assets, as required by existing law, and that certain controls which the Board now has over holding company affiliates which hold general voting permits might be lost. He said that amendments to cover these and other matters referred to in his memorandum would not conflict with the general purposes of the bill, but would merely serve to cover specifically certain procedures which were not spelled out in the bill in its present form.

There ensued a discussion of the type of reply which should be furnished to Chairman Spence, of the House Banking and Currency Committee, who had introduced the bill and had requested the views of the Board, the question being raised whether it would be preferable to suggest to Mr. Spence at this time various amendments of the type which had been proposed by Messrs. Vest and Sloan or whether, in the interest of expediting the passage of the legislation, it would be better to indicate that the bill had general merit and that the Board would be glad to consider its provisions in detail jointly with the other Federal bank supervisory agencies and thereafter propose certain revisions which

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would have the concurrence of each of the agencies. During the course of the discussion it was brought out that the Board as presently constituted was not committed to any specific bank holding company legislation.

In answer to an inquiry by Chairman Martin as to the urgency in making a reply, Mr. Vest said it was understood that Mr. Spence did not intend to hold hearings on the bill until some time in the Spring.

Mr. Robertson said that in his opinion the Federal Reserve should not sponsor bank holding company legislation. He also thought that the Board should refrain from suggesting detailed changes in the language of the bill introduced by Mr. Spence and that it should leave the question of how the legislation should be administered for the Congress to decide. He proposed, as a first step in answering Mr. Spence's inquiry, that there be prepared a statement of the Board's views as to the problem involved and the nature of the remedy which it deemed appropriate. Such a statement, he thought, should include among other things information regarding existing bank holding companies and how they would be affected should the legislation introduced by Mr. Spence go into effect. Mr. Robertson went on to say that, having adopted the statement, the Board might then seek agreement of the other Federal bank supervisory agencies on the problem.



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Following a discussion of Mr. Robertson's views it was proposed by Mr. Szymczak that a committee consisting of Messrs. Evans, Mills, and Robertson, with the assistance of members of the staff, prepare a statement and submit it for consideration by the Board.

This suggestion was approved unanimously with the understanding that Mr. Evans would serve as chairman of the committee. In taking this action it was further agreed that Chairman Martin would advise Mr. Spence of the procedure that was being followed and that he would also keep Senator Robertson, Chairman of the Subcommittee on Federal Reserve Matters of the Senate Banking and Currency Committee, informed of the Board's actions in connection with bank holding company legislation.

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

Minutes of actions taken by the Board of Governors of the Federal Reserve System on February 21, 1952, were approved unanimously.

Memorandum dated February 19, 1952, from Mr. Young, Director, Division of Research and Statistics, recommending the appointment of Jeanette H. Kavanaugh as Clerk in that Division, on a temporary basis for a period of one year, with basic salary at the rate of \$3,190 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed

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the usual physical examination and subject to the completion of a satisfactory employment investigation.

Approved unanimously.

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

"In accordance with the request contained in your letter of February 19, 1952, the Board approves the designation of John Thomas McClintock as a special assistant examiner for the Federal Reserve Bank of Richmond.

"It is noted that Mr. McClintock is indebted to three commercial banks, and it is assumed that he will not be authorized to participate in any examinations of the banks to which he is indebted."

Approved unanimously.

Telegram to Mr. Cook, Vice President and Cashier, Federal Reserve Bank of Dallas, reading as follows:

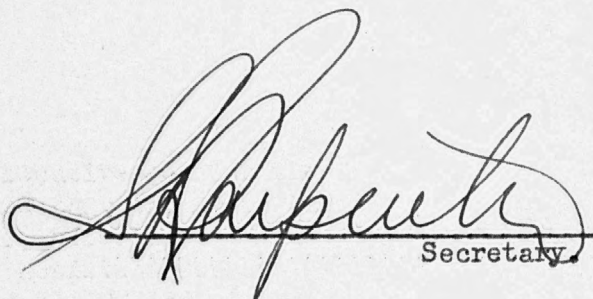
"Reurtel February 21 about medical clinics exempt from Regulation X. The Board's interpretation No. 293 covers only medical centers which offer reasonably complete medical services for diagnosis and treatment. No provision was made for the inclusion in the exemption of businesses, such as drug stores, cafeterias, or doctors' supply stores. While the use of a moderate amount of space in a bona fide clinic for a pharmaceutical laboratory, doctors' supply store, or a cafeteria used principally by persons or patients connected with the clinic would not necessarily disqualify the structure from the exemption, it appears that the kind of building described in your telegram should be classified as a nonresidential structure subject to the nonresidential

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"provisions of Regulation X."

Approved unanimously.



Secretary.