

Minutes of actions taken by the Board of Governors of the Federal Reserve System on Thursday, August 14, 1952. The Board met in executive session in the Board Room at 10:00 a.m.

PRESENT: Mr. Szymczak, Chairman pro tem.  
Mr. Evans  
Mr. Vardaman  
Mr. Robertson

At the conclusion of the executive session, Mr. Carpenter, Secretary, was called into the meeting.

The Secretary stated that the draft of the Annual Report of the Board covering operations for the year 1951 was now ready for formal approval by the Board. He said that the draft was in the form previously submitted to and approved by the individual members of the Board, except for a change in the entry in the policy record for August 28, 1951, with respect to the amendment of Regulation X, Real Estate Credit. This entry had been changed to clarify a possible misunderstanding of the scope of the amendment.

The report was approved unanimously with the understanding that copies would be sent to the Speaker of the House of Representatives and the President of the Senate as soon as it was printed, with letters of transmittal signed by Chairman Martin under date of June 30, 1952.

The following additional actions were taken by the Board:

Minutes of actions taken by the Board of Governors of the Federal Reserve System on August 13, 1952, were approved unanimously.

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Memoranda recommending that the resignations of the following employees be accepted, effective the dates indicated:

<u>Date of Memorandum</u>	<u>Name and Title</u>	<u>Effective Date</u>
	<u>Memoranda from Mr. Young, Director, Division of Research and Statistics</u>	
8/6/52	David L. Grove, Economist	9/2/52
8/11/52	Janet E. Long, Statistical Clerk	9/12/52

Approved unanimously.

Telegram to Mr. Stetzelberger, Vice President, Federal Reserve Bank of Cleveland, reading as follows:

"Reurlet August 8, 1952, Board approves establishment and operation of branch at corner Cleveland Street and Abbe Road, Elyria, Ohio, by The Elyria Savings & Trust Company, Elyria, Ohio, provided operation of the branch is commenced on or before September 1, 1952."

Approved unanimously.

Letter for the signature of Governor Szymczak to the Honorable Emanuel Celler, Chairman, Committee on the Judiciary, House of Representatives, Washington, D. C., reading as follows:

"In the absence of Chairman Martin, I am replying to your letter of July 21, 1952, requesting information with respect to bank holding companies having subsidiaries engaged in activities other than banking, bank holding company legislation, and bank mergers.

"1. Your first request is for a list indicating bank holding companies having affiliates or subsidiaries engaged in activities other than banking, the names of such subsidiaries, and type of operation in which such

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"subsidiaries are engaged. There is enclosed a list showing the type of business, number, and total assets of the nonbanking organizations included in 20 bank holding company groups as of December 31, 1950. The list shows also the number of groups in which each type of nonbanking organization appears, and you will note that 4 of the 20 groups do not have any such organizations. You will note, also, that the list includes some types of business which are not wholly unrelated to banking.

"The 20 bank holding company groups covered by the enclosed list are those in which the holding company affiliates hold voting permits issued by the Board, and the list was compiled from reports requested from these holding company affiliates by the Board for its information in connection with such voting permits. In view of the source of the information and the purpose for which it was obtained, the names of the holding companies and of their nonbanking subsidiaries have not been stated in the enclosed list. We trust that the information furnished will serve your purposes but, should you have need for the names of the various organizations such information could be furnished on a confidential basis.

"Similar information is not available with respect to the nonbanking organizations included in the bank holding company groups which have not applied to the Board for voting permits. The Board does not receive reports from the bank holding companies in these groups.

"2. Your second request refers to nonbanking businesses acquired by banks. National banks and State member banks are not permitted to invest in stocks except in certain special cases specifically authorized by law and subject to specific limitations, such as corporations organized to carry on a safe deposit business, to engage in foreign banking, or to hold banking premises. However, such banks may acquire stocks through foreclosure on collateral, in good faith by way of compromise of a doubtful claim, or

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"to avert an apprehended loss in connection with a debt previously contracted in good faith. The stocks in which member banks are by law permitted to invest to a limited extent are directly related to the banking business or the business of the investing bank.

"Such stock in nonbanking businesses as may be acquired by member banks in connection with settlement of doubtful claims or debts previously contracted seldom represents more than a minor interest in an individual business. The stocks so acquired are not regarded as having been acquired for investment and it is the practice of the supervisory authorities to require that they shall be disposed of within a reasonable time.

"Section 5136, U.S.R.S., was amended June 16, 1933, to make it clear that, with the exceptions noted above, national banks would not be authorized to purchase for their own account any shares of stock of any corporation. This provision is made applicable to State member banks by the provisions of Section 9 of the Federal Reserve Act. The restriction relates to the purchase of stock, however, and State member banks may retain stocks legally acquired before June 16, 1933, or before admission to membership. So far as control of nonbanking business is concerned, the amount of corporate stocks so acquired and held by banks is not considered to be significant.

"3. In response to your request for information on the absorption by big banks of smaller banks in the last few years and in accordance with the conversation which Mr. Walden of your staff had with Mr. Horbett of the Board's staff, there is attached a tabulation of banks of over \$100 million of assets on December 31, 1951, which absorbed other banks or with which other banks merged or consolidated during the period January 1, 1950, to June 30, 1952.

"4. We understand from Mr. Walden's conversation with Mr. Horbett that the attached table taken from page 556 of Part 1 of the answers to the Patman Subcommittee questionnaire will meet your needs for additional information relating to bank mergers.

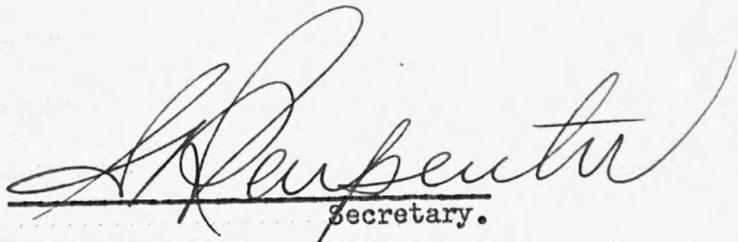
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"5. You also request copies of reports during the last 10 years of the Federal Advisory Council and the Association of Reserve City Bankers relating to bank holding company legislation. It is understood from a further conversation with Mr. Walden that you are interested in knowing the general attitude of these organizations toward such legislation, and that he has found in hearings on earlier bank holding company bills the information desired relating to the position of the Association of Reserve City Bankers. During the ten-year period the Federal Advisory Council and the Board of Governors have had several discussions of this subject and in expressing its views on different provisions of various pending bills the Council's general position has been in favor of legislation on this subject.

"It is hoped that the above will give you the additional information that you desire."

Approved unanimously.

  
Secretary.