

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, October 1, 1940, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Davis
Mr. Draper

Mr. Morrill, Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the Chairman
Mr. Wyatt, General Counsel
Mr. Smead, Chief of the Division of Bank Operations
Mr. Dreibelbis, Assistant General Counsel
Mr. Woodlief Thomas, Assistant Director of the Division of Research and Statistics
Mr. Williams, Assistant Counsel

The question what action should be taken by the Board with respect to the proposed transfer of Mr. Pool from the telegraph office to the guard force, or, if this be not done, with respect to filling the existing vacancy on the guard force by employing some one else, was brought up for discussion and various aspects of the history of the curtailment of the force in the telegraph office, including past actions taken by the Board with respect to salaries of members of this force were reviewed.

As a result of the discussion, it was agreed to defer action temporarily, pending an investigation to be made by Assistant Secretary Nelson of possible ways of utilizing Mr. Pool's services in this organization or in other parts of the Government service, or both.

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Reference was made to the preliminary drawings which had been submitted by Dr. Cret, the Board's Architect, for possible alterations of the Board's present building and a possible addition on the north side of "C" Street. Mr. McKee raised the question whether before proceeding further the Board should have a competition of architects with a view to obtaining other possible solutions of the problems involved in the construction of an addition on the north side of "C" Street. There followed an extensive discussion of the consideration which the Board had given to the employment of Dr. Cret previously, including references to the discussions in the minutes of June 4, the memorandum of June 27, 1940, submitted to the Board of Governors by Assistant General Counsel Vest, Mr. McKee's memorandum of July 1, 1940 to the Board in regard to the draft of the contract as submitted with Mr. Vest's memorandum of June 27, and the Board's action upon the contract as set forth in the minutes of July 2. Questions were raised and discussed as to the extent of the Board's obligation to Dr. Cret at this time and Counsel was requested to study the contract and make a report to the Board as soon as practicable as to the extent of the Board's obligation at this time to Dr. Cret, as to the Board's right to sever or terminate the contract with Dr. Cret, and as to the liability, if any, to Dr. Cret in case of such severance or termination.

It was agreed that, pending the report from Counsel, action should be deferred.

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Upon request of the Vice Chairman, Mr. Williams reported upon the legislative developments up to the present time with respect to the bill to provide for assignment of moneys due or to become due under contracts with the Government; with respect to the bill relating to foreign balances held by Federal Reserve Banks; with respect to the bill which would authorize the President to place various agencies of the Government, including the staff of the Board of Governors, under Civil Service; and with respect to the bill which it was understood had been reported favorably by the House Banking and Currency Committee reducing the rate of assessment of the Federal Deposit Insurance Corporation on bank deposits and containing other provisions. It was stated with respect to the last mentioned bill that copies of the bill and of the Committee's report were not yet obtainable.

During the discussions of these matters, Counsel's Office was asked to keep the Board of Governors constantly advised as to developments with respect to the Civil Service bill so that the Board might consider, whenever the bill is enacted into law, the question what, if any, action it would be desirable for it to take.

Mr. Ransom asked that Mr. Dreibelbis report directly to Governor McKee during the Vice Chairman's prospective absence in regard to any developments affecting the bill relating to foreign balances held by Federal Reserve Banks. In that connection, Mr. Ransom stated

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that he expected to leave on Friday of this week.

Mr. Wyatt reported that he had been advised that the Commissioners of the District of Columbia had decided to adhere to their position that the Board's real estate is taxable and that he was studying the situation with the view to submitting a report to the Board.

Mr. Szymczak reported, at the request of Mr. McKee, on a conversation with President Harrison, of the Federal Reserve Bank of New York, during the convention of the American Bankers Association at Atlantic City, from which it appeared that Under Secretary Bell of the Treasury had learned from newspaper articles that the Board apparently was going ahead with plans for the construction of a new building. Mr. McKee said that Mr. Harrison seemed to be very much disturbed and surprised by the information.

Attention was directed by Mr. Ransom to a memorandum from Mr. Nelson to Mr. Morrill which had been started in circulation for consideration at a meeting of the Board and which came to Vice Chairman Ransom first, in which Mr. Nelson called attention to the fact that the supply of printed copies of the 1935 edition of the Federal Reserve Act would soon be exhausted at the current rate of demand and raising the question whether the edition should be revised and brought down to date and thereupon printed, or whether, without such revision, additional copies should be printed of the existing edition.

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As a result of the discussion, the Secretary's Office was instructed to take no action with respect to printing either additional copies of the existing edition or copies of a revision and to withdraw mention of the existing edition from the list of free publications in the Federal Reserve Bulletin. In this connection, Mr. Wyatt stated tentatively that the existing edition could be revised to the point of being ready for printing, without having it printed, within a period of approximately 30 days.

At this point Messrs. Thurston, Wyatt, Smead, Dreibelbis, Thomas, and Williams left the meeting and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on September 30, 1940, were approved unanimously.

Memorandum dated September 27, 1940, from Mr. Smead, Chief of the Division of Bank Operations, recommending that, for the reasons stated in the memorandum, Miss Charlotte M. Shaffer be appointed as a comptometer operator in that Division, with salary at the rate of \$1,320 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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Telegram to Mr. Merritt, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Retel today. Board approves temporary appointment of Joe Douglas Metze as Federal Reserve Agent's Representative, Houston Branch, at his present salary, with understanding that Mr. Metze will be placed upon Agent's payroll and be solely responsible to Agent, or during vacancy in office of Agent to Assistant Federal Reserve Agent, and to Board of Governors for proper performance of duties. When not engaged in performance of duties as Federal Reserve Agent's Representative, he may, with approval of Agent or Assistant Agent and Branch Managing Director, perform such work for Branch as will not be inconsistent with duties as Federal Reserve Agent's Representative. Mr. Metze should execute usual oath of office and should not enter upon performance of duties as Federal Reserve Agent's Representative until surety bond in amount of \$10,000 mentioned in your telegram has been examined by your counsel to determine whether its execution complies fully with rules printed on reverse side of form of bond, following which, as also mentioned in your telegram, bond should be forwarded to Board promptly for approval. Please advise the effective date of Mr. Metze's appointment and his present salary. It is assumed that Mr. Metze will resign as Federal Reserve Agent's Representative when Mr. Reed returns to assume his duties."

Approved unanimously.

Telegram to Mr. Schaller, President of the Federal Reserve Bank of Chicago, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the application of "The Brazil Trust Company of Brazil, Indiana", Brazil, Indiana, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago. The telegram requested that the Federal Reserve Bank advise the applicant bank of the Board's approval of the application and conditions

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of membership prescribed, together with necessary instructions as to the procedure for accomplishing membership, and stated that a letter containing detailed advice regarding such approval would be forwarded to the applicant bank through the Reserve Bank. The telegram also contained the following special comments:

"Since the amount of estimated losses is relatively small, and in accordance with the recommendation submitted, the usual condition of membership regarding the elimination of losses has not been prescribed.

"It is understood that in the State of Indiana Trust funds deposited in the banking department of a bank are preferred claims in event of liquidation of the bank; therefore, in accordance with the general authorization previously granted by the Board, you are authorized to waive compliance with condition of membership numbered 6 until further notice.

"It is assumed, of course, that you will follow the matter of the bank's bringing the organization and operation of its trust department into conformity with approved practices."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

Frank Hanson
Vice Chairman.