

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, April 2, 1941, at 11:00 a.m.

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

Mr. Morrill, Secretary
 Mr. Carpenter, Assistant Secretary
 Mr. Clayton, Assistant to the Chairman

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on April 1, 1941, were approved unanimously.

Memorandum dated March 28, 1941, from Mr. Wyatt, General Counsel, recommending that, for the reason stated in the memorandum, Eleanor F. Boylan be appointed as a stenographer in the Office of General Counsel, with salary at the rate of \$1,560 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.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows. The letter was substantially in the form approved at the meeting on April 1, except that the last paragraph was changed because of the receipt on April 2 of a letter from

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Mr. Young with respect to the separation allowance voted for Mr. Snyder:

"Your letter of March 28, 1941, with which you enclosed a copy of the minutes of the meeting of the board of directors of your bank on March 27, 1941, has been presented at the meeting of the Board of Governors. It is noted that your directors have approved a salary at the rate of \$30,000 per annum for you as President of the bank and it is understood this action was taken pursuant to the statement contained in the Board's letter of March 14, 1941, to Mr. Lewis, that the Board approves a salary at the rate of \$30,000 per annum for you for the period from March 1, 1941 to March 31, 1942, if fixed by your directors at that rate. The Board has also noted the request of your directors that further consideration be given to the previous recommendation that your salary be fixed at \$35,000 per annum. This matter was given careful consideration by the Board before its letter of March 14 was written and it does not believe it would be justified in departing from the position that the salary of the President of the Federal Reserve Bank of Chicago should not exceed \$30,000 per annum.

"Other salaries fixed by your directors for the period from April 1, 1941 to March 31, 1942, inclusive, have been approved by the Board as follows:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Allan M. Black	Assistant Vice President	\$7,000	\$8,000
Neil B. Dawes	Assistant Cashier	7,500	8,000

"The Board has also approved a salary at the rate of \$15,000 per annum for Frank D. Williams as Vice President of the bank for the period from the date of the commencement of his service as Vice President to March 31, 1942, inclusive.

"As you know, the Balderston report will be the subject of discussion at the meeting of the Conference of Chairmen of the Federal Reserve Banks on April 26 and 27, 1941. In order to afford the Board of Governors an opportunity to consider further salary changes at the Federal Reserve Bank of Chicago in the light of discussions at that conference, as well as in the light of the further recommendations to be made by you, the Board approves,

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"for the period from April 1 to May 31, 1941, salaries at the rates now in effect for the remaining officers of your bank if fixed by your directors at such rates for that period. This action, of course, does not apply to the salaries of the President and First Vice President of the bank which have already been acted upon by the Board of Governors.

"Your letter of April 1 relating to a separation allowance for Mr. Snyder was received in the Board's offices this morning. As Mr. Szymczak indicated to you over the telephone yesterday, the Board is not willing to approve a payment to Mr. Snyder in an amount equal to one-half of his annual salary, or \$8,750. It will, however, interpose no objection to the payment to him of \$6,000 if approved by your directors under the authority contained in the Board's letter of June 24, 1937 (S-7)."

Approved, Mr. Ransom pointing out that with respect to the salary at the rate of \$15,000 per annum for Frank D. Williams as Vice President of the Bank he had voted "no" at the meeting of the Board on April 1, 1941.

Letter to the board of directors of the "Fair Lawn-Radburn Trust Company", Fair Lawn, New Jersey, stating that, subject to conditions of membership numbered 1 to 6, inclusive, contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,629, as shown in the report of examination of such bank as of March 1, 1941, made by an examiner for the Federal Reserve Bank of New York."

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The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the powers to act as surety and to guarantee real estate titles. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of the corporate powers exercised by the bank since the date of its application for membership."

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

Letter to the board of trustees of "The Commonwealth Mutual Savings Bank", Milwaukee, Wisconsin, stating that, subject to conditions of membership numbered 1, 3, 4, 5, and 6 (standard conditions of membership numbered 3, 4, 5, and 6 to be renumbered 2, 3, 4, and 5) contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "6. With respect to the payment of deposits and regular dividends thereon, such bank shall be governed by the provisions of the regulations of the Board of Governors of the Federal Reserve System relating to the payment of deposits and interest thereon by member banks, and no special dividends shall be paid except with the permission of the Board of Governors."

Approved unanimously, together with a letter to Mr. Young, President of the

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Federal Reserve Bank of Chicago, reading
as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Commonwealth Mutual Savings Bank', Milwaukee, Wisconsin, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Trustees of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Commissioner of Banking for the State of Wisconsin for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring the elimination of losses has not been prescribed.

"In connection with condition of membership numbered 6, the Board authorizes your bank, through its President to act in its behalf with respect to requests for permission to pay special dividends. The President may, if he so desires, delegate such authority in writing to the First Vice President or to the Vice President in charge of examinations. The Board desires to be advised regarding action taken in its behalf under this authorization."

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

"This refers to your letter of March 19, 1941, enclosing a copy of a letter dated March 15, 1941, from Mr. R. Q. Baker, Chairman of the board of directors of the Coshocton National Bank, Coshocton, Ohio, to Mr. Stephen L. Newnham, Chief National Bank Examiner, inquiring whether section 22(g) of the Federal Reserve Act would prohibit the Coshocton National Bank from making a loan to Mr. Baker as trustee of his father's estate.

"It appears that Mr. Baker is chairman of the board of directors of the national bank. It also appears that he is trustee of his father's estate, in which he has a life interest, and that the property of the estate will upon his death vest in his two sons, one of whom is vice president of the national bank. The trust estate consists of property with a value in excess of \$100,000 with

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"no indebtedness, the principal item being a business block yielding approximately \$7500 per annum, and the estate may wish to borrow about \$15,000, which Mr. Baker describes as a 'gilt-edged' loan and one 'that any bank would obviously welcome'.

"It will be assumed that under the laws of the State of Ohio a trustee in borrowing on behalf of the trust may sign the instrument in such a way as to avoid any personal liability on the obligation and that the proposed loan would be handled in this way. While the trustee would thus have no personal liability, he would benefit directly from the making of the loan in his capacity as life tenant of the trust estate, which would be obligated on the note. He is interested in the loan both in a representative capacity and in his own right. In this connection, it is noteworthy that the law forbids a member bank to make any loan or 'extend credit in any other manner' to an executive officer.

"It appears that the principal purpose underlying the enactment of section 22(g) of the Federal Reserve Act was to prevent the exercise of undue influence by executive officers of member banks in obtaining credit from the banks they serve; and, while there is nothing to suggest that any such influence would be used in this particular instance, it is apparent that the case is one of a type in which undue influence may readily be exercised.

"In all the circumstances, and particularly in view of the fact that Mr. Baker is not only trustee but also a beneficiary of the trust estate which would receive the loan, it is the view of the Board that the making of the loan proposed would contravene the intention of Congress and would be inconsistent with the provisions of the statute."

Approved unanimously.

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

"At the completion of the examination of the Federal Reserve Bank of Dallas, made as of January 25, 1941, by the Board's examiners, a copy of the report of examination was left for your information and the information

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"of the directors. A copy was also furnished President Gilbert.

"The report does not appear to contain any matters requiring further comment at this time. The Board will appreciate advice, however, that the report has been considered by the Board of Directors. Any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved: Ronald Hanson
Vice Chairman.