

5/15/41 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, May 16, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
 Mr. Szymczak  
 Mr. McKee  
 Mr. Draper

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

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

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on May 15, 1941, were approved unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Messrs. Sanford, Post, McCravey, and Dillard, Secretaries of the Federal Reserve Banks of New York, Philadelphia, Atlanta, and Chicago, respectively, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. West, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Bank of Kansas City on May 13, by the Federal Reserve Banks of New York, Atlanta, Chicago, Dallas, and San Francisco on May 15, and by the Federal Reserve Banks of Boston and Philadelphia today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

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Telegram to Mr. McCabe, Chairman of the Federal Reserve Bank of Philadelphia, reading as follows:

"Your wire. Board of Governors approves appointment of Alfred H. Williams as President of the Federal Reserve Bank of Philadelphia for unexpired portion of five year term ending February 28, 1946, with understanding that appointment will become effective July 1, 1941. Board also approves the salary fixed by your directors for Mr. Williams in the new position at the rate of \$22,000 per annum for the period beginning July 1, 1941, and ending April 30, 1942. It is understood that immediate announcement of appointment will be made by your Bank. No announcement being made here."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the suggestion contained in your letter of May 5 to Mr. Paulger on the subject, the Board approves the increase from \$5,500 to \$6,000 in the maximum annual salary rate for the position of examiner for your bank, and it is requested that you forward copy of revised Form A page covering such increase.

"The Board does not approve, however, the increase from \$3,500 to \$4,000 in the maximum annual salary rate under the personnel classification plan for assistant examiners which was suggested in another letter of May 5, 1941 to Mr. Paulger. This disapproval is based on the belief that a maximum salary of \$3,500 for assistant examiners is rather liberal, that, generally speaking, salaries in excess of that amount should not be paid a member of the examining staff unless he is considered fully qualified for a commission as examiner, and that in exceptional circumstances where a larger salary is considered warranted for an assistant examiner, the matter can be submitted to the Board for approval.

"The increase in the annual salary rate for the position of examiner as approved will cover the proposed increase of \$500 in the annual salary of Examiner Van

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"Zante. Therefore, individual action on such increase is not necessary."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Reference is made to your letter of May 5 to Mr. Paulger regarding the proposed employment of one of the Board's assistant examiners, Mr. Wishart, as an assistant examiner for your bank.

"The Board approves the appointment of Harvey J. Wishart as an assistant examiner for the Federal Reserve Bank of Chicago, and at an annual salary rate of \$3,800 which is \$300 in excess of the maximum under the Personnel Classification Plan of your bank. Please advise us of the effective date.

"Your letter contains the suggestion that the maximum salary rate for the position of assistant examiner be increased from \$3,500 to \$4,000 per annum. The matter is covered in a separate letter to you."

Approved unanimously.

Letter to the board of directors of the "Washington Trust Company, of Washington, N. J.", Washington, New Jersey, stating that, subject to conditions of membership numbered 1 to 6 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 \$2,050 as shown in the report of examination of such bank as of April 2, 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, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Washington Trust Company, of Washington, N. J.', Washington, New Jersey, 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 Directors 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 & Insurance for the State of New Jersey for his information."

"It has been noted that following the examination for membership the president of the bank was called in for conference on the matters which the supervising examiner for the Federal Deposit Insurance Corporation advised had been repeatedly criticized, and that Mr. Gidney was assured that prompt and effective attention would be given such matters. It is assumed that of course the Reserve Bank will follow the situation and see that the corrections are made in accordance with the assurances given."

Letter to the board of directors of "The Niles Bank Company", Niles, Ohio, stating that, subject to conditions of membership numbered



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1 to 3 contained in the Board's Regulation H, 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 Cleveland.

Approved unanimously, together with a letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Niles Bank Company', Niles, Ohio, 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 Directors 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 Superintendent of Banks for the State of Ohio for his information.

"It is noted that, with respect to savings deposits withdrawals, the examiner states that 'savings pass book provides that president or directors may restrict withdrawals for a reasonable time.' However, it does not appear that the bank reserves the right to require the depositor to give notice in writing of an intended withdrawal not less than 30 days before such withdrawal is made, as required by the Board's Regulation Q. It is assumed, therefore, that this matter will be brought to the bank's attention for such action as may be necessary to comply with the requirements of the Board's regulation in this regard. It is also assumed that your office will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings account in the name of the Ohio Galvanizing and Manufacturing Company, listed on page 16 of the report of examination for membership."

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

"This refers to your letter of May 10, 1941, regarding cooperation with the State banking departments with

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"respect to applications for membership.

"The Board concurs in the thought that it is desirable to discontinue notifying the State authorities concurrently with forwarding an application to the Board of the conditions of membership recommended by your Executive Committee. Instead, however, of asking the State authorities if there are any conditions of membership which they wish to have considered, as you propose to do, it is believed that it would be better to ask for their views in more general terms, since it might lead to resentment on the part of the State authorities if suggested conditions submitted by them in response to a specific request were not adopted or were greatly modified."

Approved unanimously.

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

"Enclosed herewith is a copy of a letter dated May 3, 1941, from Mr. Holstein DeHaven Fox, Philadelphia, Pennsylvania, inquiring whether a stockholder of a State member bank who is not a director can obtain copies of reports of examinations of the bank and making a suggestion that the Board prescribe certain requirements with respect to the solicitation of proxies by all member banks. It will be appreciated if you will advise Mr. Fox with respect to these matters.

"As you know, in view of the purposes for which such examinations are made and the confidential nature of the information contained in the reports, copies of the reports of examinations to which Mr. Fox refers are furnished only to the bank managements and appropriate Governmental authorities and agencies. Also, the Board is not authorized to require, as Mr. Fox suggests, that all member banks, in soliciting proxies for annual meetings, conform with the regulations of the Securities and Exchange Commission with respect to information to be furnished concerning the names and stockholdings of directors standing for re-election. In the latter connection, you may wish to call Mr. Fox's attention to the provisions of sections 5210 and 5146 of the Revised Statutes of the United States relating, respectively, to the maintenance of lists of shareholders of national banks and the qualifications of

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"directors of such banks, and to suggest that, in the case of a State bank, there may be pertinent provisions in the applicable State statutes or the bank's articles of incorporation or by-laws."

Approved unanimously.

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

"Enclosed is a copy of a letter of April 3, 1941, from Mr. Julian Miller, Trust Department, Peoples-Pittsburgh Trust Company, Pittsburgh, Pennsylvania, relating to the interpretation of the underscored portion of the following provisions of section 17(c)(5) of Regulation F:

'No funds of any trust shall be invested in a participation in a Common Trust Fund if such investment would result in such trust having an interest in the Common Trust Fund in excess of 10 per cent of the value of the assets of the Common Trust Fund, as determined by the trust investment committee, or the sum of \$25,000, whichever is less at the time of investment. \* \* \* In applying the limitations contained in this paragraph, if two or more trusts are created by the same settlor or settlors and as much as one-half of the income or principal or both of each trust is payable or applicable to the use of the same person or persons, such trust shall be considered as one.'

"After a careful study of the questions presented by Mr. Miller and other related questions, which has necessitated some delay, it is the Board's conclusion that the two trusts should not be considered as one for the purpose of the above-quoted provisions of the regulation in either of the following situations described by him:

'(1) A settlor creates two trusts of \$25,000 each. In one trust the life tenant is "A", and in the other the life tenant is "B". Upon the death of each life tenant, the principal in each trust is payable to "C".

'(2) A settlor creates two trusts of \$25,000 each. In one trust the life tenant is

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"A", upon whose death the principal is payable to "C". The life tenant of the other is "B", upon whose death the principal is payable to "D", or if "D" be not living, to "C".'

It is understood, of course, that the information submitted was complete and that there are no additional facts with respect to powers of revocation or otherwise which might have a bearing on the matter.

"It will be appreciated if you will advise Mr. Miller in accordance with the foregoing. He has been advised of this reference."

Approved unanimously.

Thereupon the meeting adjourned.

Robert Morier

Secretary.

Approved:

W. Stead

Chairman.