

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, May 29, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice 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 28, 1941, were approved unanimously.

The action taken by the Board at the meeting on May 12, 1941, in granting permission to the Teutonia Avenue State Bank, Milwaukee, Wisconsin, to maintain the same reserves against demand deposits as are required by banks located outside of Central Reserve and Reserve cities was ratified unanimously.

Telegrams to Mr. Young, President of the Federal Reserve Bank of Boston, Mr. Post, Secretary of the Federal Reserve Bank of Philadelphia, Mr. Turman, Counsel of the Federal Reserve Bank of Atlanta, Mr. Dillard, Secretary of the Federal Reserve Bank of Chicago, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, Mr. Gilbert, President of the Federal Reserve Bank of Dallas, and Mr. Hale, Secretary of the Federal Reserve Bank of San Francisco, stating that

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the Board approves the establishment without change by the Federal Reserve Banks of Kansas City and San Francisco on May 27, by the Federal Reserve Bank of Chicago on May 28, by the Federal Reserve Banks of Philadelphia, Atlanta, and Dallas on May 29, and by the Federal Reserve Bank of Boston on May 31, 1941, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated May 27, 1941, from Mr. Nelson, Assistant Secretary, recommending that, for the reason stated in the memorandum, Claude A. Dickerson, Jr., be appointed on a temporary basis for an indefinite period as a page in the Office of the Secretary, with salary at the rate of \$1,260 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated May 27, 1941, from Mr. Nelson, Assistant Secretary, recommending:

(1) That James D. Crawford, elevator operator, be promoted to the position of guard on a permanent basis in the Building Operation and Maintenance Section of the Secretary's Office and that his salary be increased from \$1,200 to \$1,380 per annum, effective June 1, 1941, with the understanding that if his work in the new position within the next six months is entirely satisfactory, a further recommendation will be made that his salary be increased to \$1,500 per annum;

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(2) That Leon F. Herbert be appointed as an elevator operator in the Building Operation and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination;

(3) That M. Peter Sarfaty, elevator operator, be promoted to the position of guard in the Building Operation and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period and that his salary be increased from \$1,200 to \$1,380 per annum, effective June 1, 1941, with the understanding that if his work in the new position during the next six months is entirely satisfactory, a further recommendation will be made that his salary be increased to \$1,500 per annum;

(4) That Kenneth G. Emery be appointed as an elevator operator in the Building Operation and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination;

(5) That Grover C. Knight, elevator operator, be promoted to the position of guard in the Building Operation and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite

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period and that his salary be increased from \$1,200 to \$1,380 per annum, effective June 1, 1941, with the understanding that if his work in the new position within the next six months is entirely satisfactory, a further recommendation will be made that his salary be increased to \$1,500 per annum;

(6) That Hugh V. Keiser, Jr., be appointed as an elevator operator on a temporary basis for an indefinite period, with salary at the rate of \$1,200 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated May 23, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reason stated in the memorandum, that Hamilton Q. Dearborn be appointed as a junior economist in that Division, with salary at the rate of \$2,600 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

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

"In accordance with the request contained in your letter of May 24, the Board approves the appointment of James B. Stovell as an assistant examiner for the Federal

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"Reserve Bank of Philadelphia. Please advise us of the effective date."

Approved unanimously.

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

"Referring to your letter of May 22, 1941, the Board of Governors approves the appointment of Mr. Winthrop Withington, Vice President of The American Fork & Hoe Company, Cleveland, Ohio, as a member of the Industrial Advisory Committee for the Fourth Federal Reserve District, to serve for the remainder of the term ending February 28, 1942.

"It is noted that Mr. Withington is to succeed Mr. D. R. Davies, who is no longer actively engaged in any industrial pursuit in the Fourth Federal Reserve District."

Approved unanimously.

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

"This refers to your letter of May 22, 1941, advising the Board that Assistant Cashier Dawes has been appointed Assistant Vice President effective May 23, 1941, and that two employees at your Head Office and two at your Detroit Branch have been advanced to official status.

"The list of employees submitted to the Board by your Bank as of January 1, 1941, gave the salaries of the four employees who have now been given an official status as follows:

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|----------------|-----------------------|----------------------|
| | <u>Head Office</u> | |
| W. R. Diercks | Asst. Vice President | \$8,000 |
| M. A. Lies | Assistant Cashier | 6,750 |
| | <u>Detroit Branch</u> | |
| W. T. Cameron | Assistant Cashier | 3,300 |
| A. J. Wiegandt | Assistant Cashier | 4,000 |

The Board of Governors approves the above salaries for the officers named for the period May 23, 1941, to March 31,

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"1942, if fixed by your Board of Directors at such rates."

Approved unanimously.

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of your Bank relative to the Defense Contract Service Department, as requested in your letter of May 23, 1941."

Approved unanimously.

Letter to the board of directors of "The First State Bank, Bourbon, Indiana", stating that, subject to conditions of membership numbered 1 to 6 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 Chicago.

The letter also contained the following special comment:

"It has been noted that the bank has outstanding common capital stock of \$50,000, which is in excess of the figure at which the stock is shown on the books of the bank. In this connection the Board feels that the bank should, as soon as practicable, take such action within its power as may be necessary to cause the common stock to be shown at its par value. Such adjustments may be effected through conservation of earnings of the bank, through reduction of its outstanding common capital stock, if and when such a reduction may be accomplished under the applicable provisions of State law, or through such other means as may be within the power of the bank."

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 First State Bank, Bourbon, Indiana', Bourbon, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana, 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 elimination of losses has not been prescribed. It is assumed, however, that proper provision for losses will be made as a matter of sound banking practice.

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

Letter to the board of directors of the "Bank of Middletown", Middletown, Kentucky, stating that, subject to conditions of membership numbered 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 St. Louis.

Approved unanimously for transmission through the Federal Reserve Bank of St. Louis.

Letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, reading as follows:

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"Reference is made to your letter of May 23, 1941, submitting the request of the Lincoln-Alliance Bank and Trust Company, Rochester, New York, for approval of the establishment of a branch in the Town of Irondequoit, New York.

"In view of your recommendation and the information submitted, the Board approves the establishment and operation of a branch in the Town of Irondequoit, New York, by the Lincoln-Alliance Bank and Trust Company, Rochester, New York, subject to approval by the appropriate State authorities."

Approved unanimously.

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

"Reference is made to your letter of May 19, 1941, submitting for consideration of the Board the additional expenditure of approximately \$2,000 made by the Citizens Bank & Trust Company, Big Timber, Montana, in remodeling its banking quarters, thereby increasing the bank's investment in banking premises by approximately that amount over and above the increase of \$5,140 which was referred to the Board in April 1940 and to which the Board interposed no objection, as you were advised under date of April 25, 1940.

"In view of the circumstances stated in your letter and in accordance with your favorable recommendation, the Board will interpose no objection under condition of membership numbered 8 to the investment made by the Citizens Bank & Trust Company in its banking premises."

Approved unanimously.

Letter to Mr. Edward C. Eicher, Chairman of the Securities and Exchange Commission, reading as follows:

"I have your letter of May 19, 1941 regarding the proposal in H. R. 4344, which was introduced by Representative Wadsworth of New York, to transfer certain powers from the Commission to the Board. No one connected with the Board has ever advanced such a proposal

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"as that contained in section 202 of H. R. 4344 and I am glad to give you the enclosed memorandum to be used, if you so desire, in the report which the Commission is preparing to the Committee on Interstate and Foreign Commerce of the House of Representatives on the general subject of the revision of the Securities Act of 1933 and the Securities Exchange Act of 1934."

Approved unanimously. The memorandum enclosed with the letter was in the following form:

"Section 202 of H. R. 4344 would transfer from the Commission to the Board the powers granted by sections 8(b) and 8(c) of the Securities Exchange Act of 1934 to impose requirements with respect to the amount of capital a broker must have in relation to his liabilities and with respect to the hypothecation by a broker of his customers' securities.

"In enacting the Securities Exchange Act Congress carefully considered the question of where the powers under the Act should be vested. The text and the legislative history of the relevant provisions seem to indicate that the decision to place certain powers in the Commission, and certain other powers, such as those over margin requirements, in the Board was based on the general view that the Board would be chiefly concerned with the aggregate use of credit for purchasing or carrying securities in its relation to national credit policies, while the Commission would be chiefly concerned with the protection of the investor and the correction of practices harmful to him.

"These functions are necessarily closely related, and under varying circumstances there might be doubt as to whether a particular power would more appropriately be considered under one heading or under the other. Indeed, both agencies possess powers which if exercised in vacuo could conflict with or impair the effectiveness of powers of the other. This, of course, makes it desirable for the two agencies to maintain close liaison in the study and issuance of rules and regulations under such powers.

"In the light of these considerations, the Board has felt that the vesting of the powers under sections 8(b) and 8(c) in the Commission rather than the Board has been

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"based on sound principle and has not, in practice, interfered with the Board's discharge of the responsibilities imposed on it by this and other legislation. The Board is consequently not disposed to recommend the enactment of the proposed section 202 of H. R. 4344."

Thereupon the meeting adjourned.

Robert Morrie
Secretary.

Approved:

W. S. Charles
Chairman.