

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 3, 1941, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee

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 July 2, 1941, were approved unanimously.

Telegrams to Messrs. Post, Hays, Dillard, and Hale, Secretaries of the Federal Reserve Banks of Philadelphia, Cleveland, Chicago, and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on July 1, 1941, and by the Federal Reserve Banks of Philadelphia, Cleveland, and Chicago today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Mr. Morrill reported that the Comptroller of the Currency today issued a call on all national banks for reports of condition as at the close of business on June 30, 1941, and that, in accordance with the

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usual practice, a call was made on behalf of the Board of Governors of the Federal Reserve System today on all State member banks for reports of condition as of the same date.

The call made on behalf of the Board was approved unanimously.

Memorandum dated July 2, 1941, from Mr. Nelson, Assistant Secretary, recommending that Mrs. Enid Williams Staley be appointed as a clerk in the Correspondence and Publications Section of the Office of the Secretary, with salary at the rate of \$1,260 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.

Memorandum dated July 1, 1941, from Mr. Nelson, Assistant Secretary, recommending (1) that, effective immediately, Hugh V. Keiser, Jr., elevator operator, be promoted to the position of chauffeur in the Building Operations and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period, with no change in his present salary at the rate of \$1,200 per annum, (2) that Charles S. Overmiller be appointed as an elevator operator in the Building Operations 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

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satisfactorily the usual physical examination, (3) that Grover C. Knight, guard, be promoted to the position of index clerk in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,500 per annum, effective July 16, 1941, and (4) that Leonard A. Norden be appointed as a guard in the Building Operations and Maintenance Section of the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 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, 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.

Approved unanimously.

Letter to Brigadier General R. L. Maxwell, U. S. Army Administrator of Export Control, Washington, D. C., reading as follows:

"Chairman Eccles has brought to the attention of the Board of Governors your letter of June 25 in regard to the services of Mr. Chandler Morse, and in accordance with your request the Board approves an extension for not exceeding three months of the temporary assignment of Mr. Morse to your office with the understanding that the terms governing reimbursement of the Board for Mr. Morse's salary and the Board's contribution in his behalf to the Retirement System of the Federal Reserve Banks remain unchanged."

Approved unanimously.

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

"In accordance with the recommendation contained in Mr. Diercks' letter of June 26, 1941, the Board approves the appointment of Mr. Leland Mahan Ross as an examiner for the Federal Reserve Bank of Chicago. Please advise us of the effective date of his employment."

Approved unanimously.

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

"In accordance with the request contained in Mr. Diercks' letter of June 30, 1941, the Board approves the designation of Raymond E. Law, Jr. as special assistant examiner to lend clerical assistance to your regular examiners. It is understood that he will not be transferred permanently to examining work without the Board's approval.

"The advice concerning the resignations of Arthur R. Cahill and Lew Johnson has been noted and their names have been removed from our active records."

Approved unanimously.

Letter to the board of directors of "The Farmers and Citizens Bank and Savings Company", Bucyrus, Ohio, 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 Cleveland.

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

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"The Board of Governors of the Federal Reserve System approves the application of 'The Farmers and Citizens Bank and Savings Company', Bucyrus, 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.

"Since the amount of estimated losses shown in the report of examination 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.

"With respect to the interlocking relationship of Director Walther with the applicant bank and another bank in the town, it is assumed that the bank will be given to understand that its admission to membership in the System will not affect the eligibility of the director to serve the two banks until the expiration of one year from the date of his last election as a director of the applicant bank. However, the comments in the report of the membership examination and on page 5 of the memorandum submitted with the application are somewhat ambiguous as to that point."

Letter to the board of directors of "The Gwinn State Savings Bank", Gwinn, Michigan, 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 Minneapolis.

Approved unanimously for transmission through the Federal Reserve Bank of Minneapolis.

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Telegram to Mr. Diercks, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"Referring your June 30 telegram, since Plymouth State Bank, Plymouth, Illinois, had completed liquidation of deposits on June 9, it was not an active bank on the current call date, June 30, and in accordance with the usual practice it need submit no condition report as of that date even though formal liquidation was not ratified until July 1."

Approved unanimously.

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

"The memorandum of Mr. Marsh's dated June 13, 1941, on the conference held at the office of the New York State Banking Department with officers and directors of the Fleetwood Bank, Mount Vernon, New York, has been received and read with interest. It is noted from Analysis Form 212 of the report of the examination of the bank made as of April 23, 1941, that you concur in the opinion that the bank still has some serious problems which include an inferior investment account and a management situation which will require watching.

"It is, of course, a matter of regret that after the changes which were made in the management of the bank and the completion of the recent program of recapitalization with the aid of additional funds from the Reconstruction Finance Corporation, questions as to the character and ability of the management and the extent of the influence of a former director, Mr. Teipel, on the operations of the bank should still arise.

"The forthright manner in which the problems of the bank's management and its investment account were presented at the conference by Deputy Superintendent Schoch is encouraging and it is hoped that the discussions will result in the removal of any cause for future criticisms. In the circumstances, however, it may be appropriate to repeat the following comment in the Board's letter of

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"March 28, 1941:

'If there is any indication of improper management or influence which the Reserve Bank and the State Banking Department are not able to have corrected in the ordinary course of supervision, it is suggested that you advise the Board as to what action you think should be taken in the circumstances, either under the provisions of Section 30 of the Banking Act or the condition of membership as referred to in the Board's letter of May 27, 1938.'

"It will be appreciated if you will continue to keep the Board advised of developments in this situation."

Approved unanimously.

Letter to Mr. R. D. W. Conner, Archivist at The National Archives, Washington, D. C., reading as follows:

"There is attached hereto a list, prepared in triplicate in accordance with instructions issued by the National Archives, of records of the Board of Governors of the Federal Reserve System that are not needed in the transaction of the current business of the Board and which have no permanent value or historical interest. It will be appreciated if you will have your examiners review the material as promptly as possible in order that it may be included in the next list submitted by you to the Congress of records to be disposed of.

"Some of the records referred to in the attached list are of a confidential nature and, inasmuch as the rest of the list does not cover a sufficient amount of material to justify its sale as waste paper, it is felt that all of the records should be incinerated in the same manner as useless papers of the Board were destroyed in February 1940."

Approved unanimously.

Letter to the Western Union Telegraph Company, New York, New York, reading as follows:

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"This refers to Mr. Davies' letter of April 9, 1941, and our subsequent conversations relating to the proposal of your company covering the installation of a switching reperforator turret in the Chicago office of the Federal Reserve Leased Wire System, similar to the turret now in the Washington office, the new installation to replace the equipment now in operation in the Chicago office. There are enclosed herewith three executed copies of an application by the Board of Governors for the furnishing of the telegraph services set forth therein.

"This application provides that the services requested will be furnished subject to and in accordance with your company's lawful rates and regulations, and it is understood that these rates and regulations are contained in Tariff FCC No. 219, 'Special Contract Service (Leased Facilities)', filed by your company with the Federal Communications Commission.

"While the applicable tariff indicates that all services are furnished for an initial minimum contract period of one month and may be cancelled thereafter upon a minimum of one day's notice by either party, it is understood that the services to be provided in the present case (including such modifications thereof as may be ordered by the Board from time to time) shall be furnished for an established minimum period of one year and that thereafter the services may be terminated by either party to the contract only by giving written notice to the other party of not less than thirty days.

"It is also noted that the tariff to which the contract will be subject contains a provision to the effect that the facilities furnished under the tariff may be employed only for the private use of those companies whose offices are connected to the circuits and that such facilities shall not be used either directly or indirectly for the handling of communications for the public or any person, firm, or corporation other than those whose offices are connected to the circuits or their affiliated and subsidiary companies and their representatives. As you know, it has been the practice of the Board for a number of years to transmit over the Federal Reserve Leased Wire System messages for other governmental agencies for which Federal Reserve Banks may be authorized to act as fiscal agents, custodians, or depositaries. It is contemplated that

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"this practice will be continued during the life of the attached contract and it is understood that the provisions of the contract and the applicable tariffs will not be inconsistent with the continuation of the practice of the Board in requesting reimbursement for the transmission of messages over the leased wires for certain other Government agencies for which the Federal Reserve Banks may be authorized to act as fiscal agents, custodians, and depositaries, and for the transmission of messages in connection with the functions of the Federal Reserve Banks as fiscal agents and depositaries of the United States.

"The form of contract provides that the Board agrees to pay for the services rendered in accordance with your company's established billing practices. It has been the established practice of the Board to make payment for telegraph facilities furnished during a calendar month upon the submission during the succeeding month of proper vouchers, and it is understood that payment in this manner will be in accordance with the provisions of the contract.

"You will note that there has been added to the contract a provision that no member of or delegate to Congress, or resident commissioner, shall be admitted to any share or part of the contract or to any benefit that may arise therefrom, but this provision shall not be construed to extend to this contract if made with a corporation for its general benefit. This is in accordance with a requirement of Section 22 of Title 41 of the United States Code.

"In order that the Board may receive actual notice of any change or modification in the regulations or tariffs filed by your company with the Federal Communications Commission which may affect the terms of this contract, it will be appreciated if you will advise the Board of any such proposed change or modification as far in advance of its effective date as may be possible.

"It is understood that the equipment is to be installed and put into operation not later than December 1, 1941, and that before it is put into actual operation all of the necessary tests will be made to make certain that the turret will operate satisfactorily and to acquaint the operators in the Chicago office fully with the necessary routine.

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"You are requested to confirm the Board's understanding with respect to the several matters referred to above and to return for our files one of the executed copies of the enclosed application for service.

"Mr. J. H. Dillard, Vice President of the Federal Reserve Bank of Chicago, has charge of the Chicago office of the Federal Reserve Leased Wire System, and it is requested that you consult with him regarding all details of the installation and operation of the new equipment and that the installation work be done in such manner and at such times as will cause the least interference with the work of the Chicago office of the Leased Wire System."

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

"In accordance with your letter of June 10, 1941, an order is being placed today with the Western Union Telegraph Company for the installation of a switching reperforator turret in the Chicago office of the Federal Reserve Leased Wire System. A copy of the letter to the company is attached hereto, from which it will be noted that the new equipment is to go into operation not later than December 1, 1941. The reason for this late date is that the Telegraph Company has had difficulty in getting equipment recently, and while Mr. Davies will expedite the installation as much as possible, they do not want to make a commitment prior to December 1. We feel here that some of the difficulties experienced with the Washington installation would have been avoided if we had given them more time to test the installation, and for that reason I did not feel that we would be justified in asking for an earlier date.

"You will also note that the letter to the Telegraph Company requests that they consult with you regarding all details of the installation and operation of the new equipment, and if we can be of any assistance please do not hesitate to call on us. By the time the Chicago installation is ready for operation Mr. Ott, the Chief Operator in the Washington Office, will have had sixteen months' experience in the operation of the Washington

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"turret, and if you feel it would be helpful to have him in Chicago for the first two or three days when the turret goes into operation we shall be pleased to arrange to have him go to Chicago for that purpose."

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved: W. Steeles
Chairman.