

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, September 16, 1941, at 3:30 p.m.

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

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

Memorandum dated September 15, 1941, from Mr. Thomas, Assistant Director of the Division of Research and Statistics, recommending that Miss Esther H. Larson be appointed on a temporary basis for a period of not to exceed three months as a clerk in the Division of Research and Statistics, with salary at the rate of \$1,440 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. Sidney Hillman, Associate Director General of the Office of Production Management, reading as follows:

"Your letter of September 5 was received in this office on September 13 and I have been requested by the Board to advise you that it will offer no objection to your approaching Mr. Guy T. Nunn with an offer of employment on your staff, in view of the circumstances stated in your letter."

Approved unanimously.

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

"The Board of Governors approves the change in the personnel classification plan of your Bank as requested in your letter of September 13, 1941."

Approved unanimously.

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

"This refers to the report of examination of the Bank of Sturgeon Bay, Sturgeon Bay, Wisconsin, as of August 4, 1941, and the analysis thereof on Form F. R. 212.

"It appears that since the preceding examination the bank has obtained permission from the State authorities to exercise fiduciary powers and commenced to exercise them without obtaining the Board's approval pursuant to its condition of membership numbered 4 which reads as follows:

- '4. That except with the approval of the Federal Reserve Board there shall be no change in the general character of your assets or broadening in the functions now exercised by you, such as will tend to affect materially the standard now maintained and required as a condition of membership.'

"Your counsel expresses the opinion that approval was not required but, at his suggestion, the question is submitted to the Board. It is the Board's view that when a bank subject to this condition of membership commences to exercise fiduciary powers there is such a broadening in the functions exercised by it as to require the Board's approval under the condition. This matter is covered by a ruling published on page 865 of the Federal Reserve Bulletin for November, 1924, (FRLS #3720) which is still in effect.

"Accordingly, you are requested to advise the bank of the applicability of the condition of membership in question, and to obtain and forward to the Board, with your recommendation in the premises, a letter of application by the bank for permission to exercise the fiduciary

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"powers granted to it by the State authorities. The application should be accompanied by detailed information similar to that furnished in the case of national banks applying for trust powers (Form F. R. 61a - page 3), to supplement that contained in reports of examination of the applicant bank."

Approved unanimously.

Telegram to Mr. Crause, Director of the Instalment Credit Division of the Federal Reserve Bank of St. Louis, reading as follows:

"Your wire re W-56. Principal purpose of sections 4(c) and 5(c)(2) was to prohibit balloon notes. Consequently requirements of sections may be met by adopting either of the alternatives specified."

Approved unanimously, with the understanding that a copy of the telegram would be sent by wire to the other Federal Reserve Banks.

Letter to Mr. Mooney, Supervisor of the Division of Banking for the State of Kentucky, reading as follows:

"Mr. M. J. Fleming, President of the Federal Reserve Bank of Cleveland, has written us that you have graciously offered the facilities of your office in the enforcement of the regulation of consumer credit.

"The Board of Governors wishes to thank you for your offer and to say that it will be very glad to avail itself of your cooperation.

"The exact procedure to be followed in the enforcement of Regulation W has not yet been determined. However, the Board has in mind the arrangement which was worked out with the State Banking Authorities with respect to the somewhat similar situation existing in connection with the Board's Regulation U. As you perhaps know, the administration of the Board's Regulation W has been decentralized as far as possible among the Federal Reserve Banks and in due course, therefore, it may be expected

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"that the officers of the Federal Reserve Bank of Cleveland will communicate further with you on this subject."

Approved unanimously.

Letter to the Comptroller of the Currency, Washington, D. C., reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order requested June 14, 1941, for the printing of Federal reserve notes of the 1934 Series in the amount and denomination stated for the Federal Reserve Bank of Cleveland:

Denomination	Number of sheets	Amount
\$5	200,000	\$12,000,000"

Approved unanimously.

It was suggested that the Board authorize the payment of the cost of luncheons served in the Board's dining room today to Messrs. Edward Potter, Jr., President, H. L. Williams, Executive Vice President, and J. R. Kellam, Jr., Cashier, of the Commerce Union Bank of Nashville, Tennessee; Floyd Odlum, of the Office of Production Management; and Edwin Weisl, an attorney from New York.

Approved unanimously.

Thereupon the meeting adjourned.

Orestes Morise
Secretary.

Approved:

Frank Mason
Vice Chairman.