

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, November 29, 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 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 November 19, 1941, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on November 21, 24, 25, 26, and 28, 1941, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated November 27, 1941, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Carol E. Hubbard be appointed as a clerk in that Division, 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.

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Memorandum dated November 28, 1941, from Mr. Nelson, Assistant Secretary, recommending that Misses Hazel L. Simpson and Marie H. Ferwerda be appointed, on a temporary basis for a period of not to exceed six months, as junior file clerks in the Secretary's Office, each with salary at the rate of \$1,260 per annum, effective as of the date upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical examination, with the understanding that if their work is satisfactory during the six months' period a further recommendation will be submitted that the appointments be made permanent and that their salaries be increased to \$1,440 per annum.

Approved unanimously.

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

"As requested in your letter of November 26, 1941, the Board of Governors approves the payment of a salary to Mr. Fred Kuehn, Senior Clerk in the Check Collection Department, at the rate of \$2,160 per annum, effective December 1, 1941, which amount is \$60 in excess of the maximum annual salary provided in the Bank's personnel classification plan for the position occupied by this employee."

Approved unanimously.

Telegram to Mr. Lassiter, Chairman of the Federal Reserve Bank of Richmond, reading as follows:

"Walden's letter November 28. Board approves appointment John H. Zirckel as Federal Reserve Agent's

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"Representative at Baltimore Branch with salary at rate of \$1,740 per annum until December 31, 1941, and at rate of \$1,860 per annum thereafter, with understanding that Zirckel will be placed upon Agent's payroll and be solely responsible to him, or during vacancy in office of Agent to Assistant Federal Reserve Agent, and to Board of Governors for proper performance of duties. When not engaged in performance of his duties as Federal Reserve Agent's Representative he may, with approval of Federal Reserve Agent (or, in his absence, of Assistant Federal Reserve Agent) and Branch Managing Director, perform such work for Branch as will not be inconsistent with his duties as Federal Reserve Agent's Representative. Zirckel should execute usual oath of office and surety bond in amount of \$10,000 and he should not enter upon performance of duties as representative until bond has been examined by your Counsel to determine whether its execution complies fully with the rules printed on reverse side of form of bond following which bond should be forwarded to Board promptly for approval. Please advise effective date of Zirckel's appointment."

Approved unanimously.

Letter to the board of directors of "The Farmers Exchange Bank of Coeburn", Coeburn, Virginia, 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 Richmond.

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 business, such as the power to guarantee the payment of bonds. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to

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"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 Richmond.

Telegram to Mr. Brainard, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that, subject to the conditions set forth in the telegram, the Board of Governors of the Federal Reserve System authorizes the issuance of a general voting permit, under the provisions of Section 5144 of the Revised Statutes of the United States, to the "BancOhio Corporation", Columbus, Ohio, entitling such organization to vote the stock which it owns or controls of "The Farmers & Merchants Bank of Logan", Logan, Ohio, at all meetings of shareholders of such bank, and that the period within which a permit may be issued pursuant to the authorization contained in the telegram is limited to thirty days from the date of the telegram unless an extension of time is granted by the Board. The conditions contained in the telegram upon which the permit was authorized were as follows:

- "1. Prior to issuance of general voting permit authorized herein, applicant shall execute and deliver to you in duplicate an agreement in same form as that which applicant executed on December 11, 1939, as a condition to issuance of permit dated December 14, 1939.
- "2. Prior to or simultaneously with issuance of general voting permit authorized herein, The Farmers & Merchants Bank of Logan shall be admitted to membership

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"in the Federal Reserve System."

The telegram also contained the following statement:

"Since applicant's dividend and service charge policies have been subject to criticism in report of examination of applicant as of October 21, 1940, and in conferences in Washington with Mr. Kelley and Mr. Fletcher, Board desires that, when applicant is advised of Board's action upon its application, applicant be reminded of pertinent provisions of its applications for voting permits and its agreements executed in connection with issuance of general voting permits, and that applicant be informed that Board does not consider applicant's past record satisfactory and expects that applicant's policies in future will be such that dividends paid by it and dividends and service fees received by it from subsidiary banks will be kept in appropriate relationship to earnings and capital positions of banks. Also, please advise applicant that Board understands from discussion at Washington conferences that steps to further disassociate BancOhio Securities Company from applicant and its subsidiary banks are receiving applicant's consideration and that, in this connection, Board emphasizes importance of changing name of BancOhio Securities Company and terminating arrangements under which subsidiary banks rent desk space to BancOhio Securities Company representatives."

Approved unanimously, together with a letter to the board of directors of "The Farmers & Merchants Bank of Logan", Logan, 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.

The letter also contained the following special comment:

"In view of the fact that the BancOhio Corporation will become a holding company affiliate of your bank upon its admission to membership, the Federal Reserve Bank of Cleveland has been informed that, before stock in the Federal Reserve Bank is issued to your bank, it will be necessary for the BancOhio Corporation to comply with any

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"conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of your bank."

Unanimous approval was also given to 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 Farmers & Merchants Bank of Logan', Logan, 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.

"Before issuing stock in the Federal Reserve Bank of Cleveland to The Farmers & Merchants Bank of Logan, you are requested to satisfy yourself that the BancOhio Corporation has complied with any conditions to the issuance of a general voting permit entitling it to vote the stock which it owns or controls of such bank."

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

"Reference is made to your letter of November 14 (Inquiry No. 37 re Regulation T) asking whether a member of the New York Curb Exchange may borrow from a lawyer, who is not a creditor as defined in Regulation T, for the purpose of enabling the borrower to make a contribution of capital to a joint adventure in which the borrower and another member of the exchange are participants, the joint adventure consisting of transactions, through a joint account, in securities with respect to which the other participant in the joint adventure is registered and acts as an odd-lot dealer. The loan is secured by a lien on the joint account.

"The only question appears to be whether the loan would be a borrowing by the member 'in the ordinary course of business as a broker or dealer' within the meaning of

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"section 8(a) of the Securities Exchange Act of 1934. You state that your view is that the loan should be so regarded and that it is therefore prohibited.

"The Board agrees with this conclusion."

Approved unanimously.

Letter to Mr. Turman, Counsel of the Federal Reserve Bank of Atlanta, reading as follows:

"This will acknowledge receipt of your letter of November 26, 1941 advising that, under the terms of a settlement recently agreed upon in connection with the foreclosure proceedings arising out of a default in the repayment of a loan made to the Birmingham Cotton Mills, Birmingham, Alabama, by the Federal Reserve Bank of Atlanta, Reconstruction Finance Corporation and the First National Bank of Birmingham, Alabama, the fee of Mr. D. K. McKamy, of the firm of Benner, Burr, McKamy & Forman, who had been retained to represent the Federal Reserve Bank as special counsel in this matter, will be paid by the Birmingham Cotton Mills.

"Inasmuch as this fee will not be paid by the Federal Reserve Bank of Atlanta, it is not necessary for it to be approved by the Board of Governors of the Federal Reserve System; but we are glad to have your advice as to the disposition of the matter in order to complete the Board's records on the subject.

"It is noted that you have sent the Board's General Counsel an outline of the terms of settlement."

Approved unanimously.

Letter to Mr. B. M. Edwards, Assistant to the Secretary of the Treasury, reading as follows:

"In response to a telephone request on November 24, 1941, from Mr. Hines of the Defense Savings Staff, we are pleased to furnish the following information with respect to the participation of the personnel of the Federal Reserve System in the voluntary pay roll deduction plan for the purchase of Defense Savings Securities:

Total number of employees participating  
in plan on November 15, 1941 . . . . . \* 5,846

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"Percentage of employees participating in plan . . . . . \* 40.4

Gross deductions during month of November 1941 . . . . . \*\$26,661

\*Figures do not include substantial cash purchases of savings bonds made regularly over the counter by Reserve Bank personnel.

"United States Savings Bonds have, of course, been sold at the Federal Reserve Banks since they were first issued in March 1935, and, perhaps partly due to the natural familiarity of Reserve Bank personnel with their investment features and to the facility with which they might be purchased directly over the counter in the institutions in which they were employed, many officers and employees have been making cash purchases of savings bonds regularly for years and are continuing to make such purchases. While the amount of cash purchases are not available for all Reserve Banks, as an indication of their extent one Bank reported that during the quarter ending September 30, 1941, they amounted to 60.8 per cent of total purchases made under the pay roll deduction plan. It is suggested, therefore, that the above footnote, or similar explanation, be carried in any table showing the participation of the personnel of the Federal Reserve System in the pay roll deduction plan.

"It is understood that this information is for the confidential use of the Treasury Department and is not to be published.

"If we can be of further service to you, please feel free to call upon us."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved: W. Steeles  
Chairman.