

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, February 18, 1942, 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 February 17, 1942, were approved unanimously.

Memorandum dated February 16, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Mary Louise Hamm be appointed on a permanent basis as a clerk-stenographer in that Division, with an increase in her salary from \$1,260 to \$1,440 per annum, effective as of the expiration of her temporary appointment at the close of business on February 18, 1942.

Approved unanimously.

Letter to Mr. Keesee, Secretary of the Federal Reserve Bank of Richmond, reading as follows:

"Referring to your letter of February 13, 1942, the

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"Board of Governors approves the reappointment of Messrs. J. G. Holtzclaw, Walker D. Stuart, Overton D. Dennis, and William L. Manning and the appointment of Mr. Douglas Gorman, to succeed Mr. Ludlow H. Baldwin, as members of the Industrial Advisory Committee for the Fifth Federal Reserve District, each for a term of one year beginning March 1, 1942."

Approved unanimously.

Letter to the board of directors of the "Peoples Savings Bank", Laurel, Iowa, 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 Chicago.

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

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

"Under date of January 24 Mr. Gidney transmitted the application for membership, together with the supporting data, of Mechanics and Farmers' Bank of Albany, Albany, New York, an uninsured bank.

"As you know, the bank shares quarters with a mutual savings bank whose deposits are not, and were not to be, insured by the F.D.I.C., and the question of whether deposit insurance should be extended in such circumstances was referred to the F.D.I.C. Attached is a copy of a letter dated February 5 from Chairman Crowley, which is self explanatory as to the Corporation's position on the subject.

"It is felt that the question of extending deposit insurance to a bank sharing quarters with an uninsured bank is one primarily for the determination of the F.D.I.C.

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"Therefore, in view of the Corporation's position as expressed in Chairman Crowley's letter, action on the bank's application for membership has been deferred. It is understood in this connection that the management is unwilling to discontinue the present arrangement, consequently there would be no point in approving the application subject to a condition requiring the arrangement to be discontinued.

"It is requested that it be made clear to the bank that the question of policy involved is the sole reason for deferring action on the application. The bank is reported in excellent asset condition and with a strong capital structure, to be under capable management and to have had a long and honorable career. Unquestionably the institution would be a credit to the System. If the management should decide either to discontinue the present arrangement of sharing quarters with the mutual savings bank or if the mutual savings bank should apply for insurance as a nonmember bank or apply for membership in the System, the Board would be glad to reconsider the application of the Mechanics and Farmers' Bank of Albany."

Approved unanimously, together with a letter to Mr. Leo T. Crowley, Chairman of the Federal Deposit Insurance Corporation, in the following form:

"Receipt is acknowledged of your letter of February 5 stating the Corporation's position on the question of extending deposit insurance to a bank sharing quarters with an institution whose deposits are not to be insured by the Corporation. The question was referred to you in connection with the application for membership of Mechanics and Farmers' Bank of Albany, Albany, New York, which shares quarters with a mutual savings bank and the deposits of the mutual savings bank are not to be insured by the Corporation.

"In view of the Corporation's position as outlined in your letter, the Federal Reserve Bank of New York is being advised that action on the application for membership has been deferred and that the Board will be glad to reconsider the application of the Mechanics and Farmers' Bank of Albany if the management should decide either to discontinue the present arrangement of sharing quarters with the mutual savings bank or if the mutual savings bank should apply for insurance as a nonmember bank or apply for membership in the System."

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Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. A. ...  
Chairman.