

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 19, 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 18, 1942, were approved unanimously.

Memorandum dated February 16, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Pauline Reinsch be appointed as an economic assistant in that Division, with salary at the rate of \$2,000 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. 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 as requested

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"in your letter of February 10, 1942."

Approved unanimously.

Telegram to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Board approves appointment of W. A. Chapman as an examiner for Federal Reserve Bank of St. Louis. Advise us of effective date."

Approved unanimously.

Telegram to Mr. Taylor, Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"Referring your February 13 letter, Board approves appointment of J. M. Ashley as Assistant Federal Reserve Agent, effective when he enters upon his duties, at his present salary, which, according to our records is \$2,160 per annum, with the understanding that Mr. Ashley will be placed upon the Agent's pay roll and will be solely responsible to him, or, during a vacancy in the office of Agent, to the Board of Governors for the proper performance of his duties. When not engaged in the performance of his duties as Assistant Federal Reserve Agent he may, with the approval of the Federal Reserve Agent and the President, perform such work for the Bank as will not be inconsistent with his duties as Assistant Federal Reserve Agent. Mr. Ashley should execute usual oath of office and surety bond in the amount of \$10,000 and should not enter upon performance of his duties as Assistant Federal Reserve Agent until bond has been examined by your counsel to determine whether its execution complies fully with rules printed on reverse side of form of bond 182, following which bond should be forwarded to Board promptly for approval. This approval is given with understanding that Mr. Hall will resign as Assistant Federal Reserve Agent as of the date Mr. Ashley's appointment becomes effective. Please advise effective date of Mr. Ashley's appointment."

Approved unanimously.

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Letter to Mr. H. D. Houghton, Manager of the Long Beach Plant of the Douglas Aircraft Company, Inc., Long Beach, California, reading as follows:

"This acknowledges receipt of your letter of February 7, 1942, relating to the application for Reserve Bank membership of the Peoples Bank of Lakewood Village, California. We appreciate your interest and the information you furnished in this matter.

"The Board acted upon the application on February 6, 1942, and the organizers of the bank probably have been advised, through the Federal Reserve Bank of San Francisco, of the Board's views in the matter."

Approved unanimously.

Memorandum dated February 11, 1942, from Mr. Wingfield, Assistant General Counsel, recommending, for the reasons stated in the memorandum, that the following letter be sent to the Presidents of all Federal Reserve Banks, with a copy to the Comptroller of the Currency, and that a statement of the ruling, referred to in the letter, be published in the next issue of the Federal Reserve Bulletin in the form attached to the memorandum:

"The Board recently has had occasion to review carefully its interpretation of the provisions of section 2(c) of the Banking Act of 1933 which provide that a corporation, business trust, association, or other similar organization is a 'holding company affiliate' if it owns or controls, directly or indirectly, 'more than 50 per centum of the number of shares voted for the election of directors of any one bank at the preceding election'.

"Concluding that the position heretofore taken on the facts in certain particular cases was incorrect, the Board has ruled that an organization is a holding company affiliate of a member bank if the number of shares owned or controlled by the organization is equal to more than 50 per

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"centum of the number voted at the preceding election of directors of the bank, regardless of whether the shares so owned or controlled were or were not voted.

"This ruling will be published in the March issue of the Federal Reserve Bulletin. However, if there are organizations in your district which you believe may be affected, it would be desirable for you to bring it to their attention. In any such case, it is suggested that consideration be given to the question whether it might be in order for the Board to determine that the organization is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c), with the result that upon such determination it would not be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray
Secretary.

Approved:

W. S. S. S.
Chairman.