A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, March 11, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
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 March 10, 1942, were approved unanimously.

Memorandum dated March 9, 1942, from Mr. Nelson, Assistant Secretary, recommending (1) that Julian R. Scott, a porter, be promoted to the position of messenger in the Secretary's Office on a permanent basis, with an increase in his salary from $1,080 to $1,200 per annum, effective March 16, 1942, and (2) that Edward D. Rogers be appointed as a porter in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of $1,080 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.

Approved unanimously.
Memorandum dated March 10, 1942, from Mr. Paulger, Chief of the Division of Examinations, submitting the resignation of Milton K. Johnston as a stenographer in that Division, to become effective as of the close of business on March 31, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated March 10, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of Stephen Smith as an elevator operator in the Secretary's Office, to become effective as of the close of business on March 19, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Memorandum dated March 11, 1942, from Mr. Nelson, Assistant Secretary, submitting the resignation of William E. Finn as a messenger in the Secretary's Office, to become effective as of the close of business on March 8, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Referring to your letter of March 7, if your Bank decides to employ Mr. Robert N. Hilkert as Manager of the Personnel Department, the Board approves a salary for him at the rate of $6,000 per annum, if his salary is fixed at that rate by your Board of Directors."

Approved unanimously.
Letter to Mr. Mulroney, Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of March 6, 1942, the Board approves the designation of Carlos H. Craig as a special assistant examiner."

Approved unanimously.

Letter to the board of directors of the "Bank of Southold", Southold, New York, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 New York:

"4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of $500 as shown in the report of examination of such bank as of January 31, 1942, made by an examiner for the Federal Reserve Bank of New York."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Bank of Southold', Southold, New York, 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 New York for his information."
"The bank's earnings have been meager, its prospects for growth seem definitely limited, and as compared with the other bank in Southold it has been able to attract a rather small volume of business, all of which raises a question as to the future possibilities of the bank. It would appear also that the institution has somewhat of a management problem. It is reported that the active officer has but limited knowledge of bank matters, has very little desire to assume responsibility, and takes no important step without consulting the board of directors. In view of the advanced ages of four of the seven members of the board, it is only reasonable to expect that their responsibilities will have to be assumed by others before very long, and the prospects of strengthening the board from the ranks of the present stockholders seem poor. The application for membership has been approved, however, in view of the recommendation of the Reserve Bank, the asset condition of the applicant as reflected in the report of examination for membership, and the examiner's opinion that the management is probably capable of handling the present limited scope of operations. Approval of the application is given with the expectation that the Reserve Bank of course will follow the situation closely and endeavor through careful and constructive supervision to assist the bank in all appropriate ways.

"It is assumed that the Reserve Bank will see to it that the savings account listed on page 16 of the report of examination for membership is brought into conformity with the provisions of law and the Board's regulations, and that the balance with a nonmember bank is brought within the legal limits."

Telegram to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, prepared following the action taken at the meeting of the Board on March 10, 1942, and reading as follows:

"With further reference to your letter of February 21, 1942 and Mr. Paulger's conversation with Mr. Clerk on February 25, the Board will be glad to reconsider the application of Peoples Bank of Lakewood Village for membership in the System, which as you know has not heretofore been approved because of the bank's apparent close
"connection with and potential control by Transamerica Corporation, upon a definite showing by the directors of the bank —

1. That arrangements have been made by Mr. Griffith for financing the purchase of his stock in a manner different from that described in the Reserve Bank's report of investigation made in connection with the application for membership and that such arrangements are consistent with the other provisions of this telegram.

2. That some change has been made in the arrangements for the use of the furniture and fixtures whereby the bank will be under no obligation to Capital Company or any other part of the Transamerica group.

3. That neither Transamerica Corporation nor any organization affiliated or closely identified with Transamerica Corporation nor any other bank holding company group has any interest, direct or indirect, in the applicant bank, and that the bank is in no manner obligated to any such organization.

4. That all stockholders have stated in writing that they have no agreements or understandings, express or implied, with respect to the sale or transfer of stock of the bank to any such organization and that they do not intend to enter into any such agreements or understandings.

5. That the bank was organized as a bona fide local independent institution and is expected to be continued as such.

"If the bank should be admitted to the System, the condition letter would probably include the following special condition of membership and comments:

'If, without prior written approval of the Board of Governors of the Federal Reserve System, Transamerica Corporation or any unit of the Transamerica group, including Bank of America N.T. & S.A., or any holding company affiliate or any subsidiary thereof, acquires, directly or indirectly, through the mechanism of extension of loans for the purpose of acquiring bank stock, or in any other manner, any interest in such bank, other than such as may arise out of usual correspondent bank relationships, such bank, within 60 days after written
In connection with the telegram, reference was also made to a memorandum prepared for the files by Mr. Wingfield, Assistant General Counsel, under date of March 11, 1942, in which it was stated that Mr. Crowley, Chairman of the Federal Deposit Insurance Corporation, and Mr. Delano, Comptroller of the Currency, had seen the proposed telegram and were in agreement with it.

The telegram was approved unanimously, together with a letter to Mr. George J. Knox, Superintendent of Banks of the State of California, reading as follows:

"A reply to your letter of February 27 inquiring regarding the reasons why the Board did not approve the recent application of the Peoples Bank, Lakewood Village, California, for membership in the System has been deferred until we could hear from the Federal Reserve Bank of San Francisco, as that bank had been requested to advise you personally as to the reasons for the Board's action and it was understood that this had been done and that Mr. West, Vice President of the Reserve Bank, called on you on February 26 in your offices. A reply from him confirms that understanding.

In order to clear up an apparent misunderstanding, however, you may be assured that the Board's action was not taken, as you suggest, because of any question as to whether the public convenience would be served by the
"establishment of the bank or as to the financial responsibility of the proposed shareholders. The sole reason for the Board's action was that the investigation made in connection with the bank's application for membership disclosed numerous circumstances which reflected a close association with the Transamerica group, the further expansion of which in the banking field at this time is not considered to be in the public interest. As you have been advised by the Reserve Bank, the Board of Governors, Comptroller of the Currency, and the Federal Deposit Insurance Corporation are in agreement that these agencies should, under existing circumstances, decline permission for acquisition, directly or indirectly, of any additional banking offices or any substantial interest therein by Transamerica Corporation, Bank of America N.T. & S.A., or any other unit of the Transamerica group. The admission of the Peoples Bank of Lakewood Village to membership in the System, in view of the circumstances of which you have been informed, indicating a close relationship between the bank and the Transamerica group, would be inconsistent with the policy referred to.

"The Reserve Bank has been advised that the Board will be glad to reconsider the application of the Peoples Bank of Lakewood Village for membership in the System upon a definite showing that the bank is a bona fide local independent institution and that no holding company group has any interest, direct or indirect, in the bank at the time of admission to membership and that the directors and organizers of the bank have no plans, commitments, or understandings, looking toward a change in the status of the bank as a local independent institution.

"The Board appreciates your expressions of desire to cooperate with the Federal agencies."

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

"In your letter of February 25, 1942, with which you forwarded a memorandum regarding the foreign branches of the Guaranty Trust Company, New York, New York, you express the opinion that, in the existing circumstances, it is not practicable to arrange for examinations of the European branches of the State member banks in your district and request advice as to whether the Board has a different opinion."
"The Board understands that, of the seven foreign branches and offices now operated by State member banks; five by the Guaranty Trust Company and one each by the Bankers Trust Company and the Central Hanover Bank and Trust Company, all of New York City; four are located in London and the three continental branches of the Guaranty Trust Company are on a liquidating basis. It is understood, further, that through reports, audit operations and in connection with directors' examinations, the head offices maintain contacts and control over the London branches and the continental branches insofar as practicable and that such branches are operated conservatively. The total assets of the branches are small as compared with the resources of the respective institutions. In the existing circumstances and so long as the present or substantially the same conditions exist, the Board concurs in your opinion that it is not necessary or advisable to attempt the examination of such branches. Upon the return of more normal conditions the general question can be reconsidered and, of course, the Board should be advised if any change in the status of the branches or the respective head offices or the relations between the head offices and branches makes it appear necessary to consider examination of the branches prior to a change in general conditions."

Approved unanimously.

Letter to Mr. R. W. Goldsmith, Assistant Director of the Trading and Exchange Division of the Securities and Exchange Commission, reading as follows:

"The following information has been received from the Federal Reserve Bank of Philadelphia in reply to the specific questions asked in your letter of March 2 requesting certain data regarding the issuance last November of 160,000 shares of common stock of The Pennsylvania Company for Insurances on Lives & Granting Annuities:

1. The number of shares sold to stockholders was 22,250.
2. The number of shares sold to the public was 137,750."
"3. The price of the shares to both the stockholders and the public was $28.00 per share.

4. The commissions paid the underwriters were $228,875.

5. The other costs, such as legal fees, taxes, printing, etc., were $12,075.29.

This information is furnished with the understanding expressed in your letter that it will be regarded as confidential and will only appear in your aggregate statistics.

"We are enclosing copies of the letters dated August 25, 1941 and November 6, 1941 from the management to the stockholders concerning the offering of stock and a copy of the prospectus issued by the underwriters."

Approved unanimously.

Letter to the Presidents of all Federal Reserve Banks, reading as follows:

"Sometime ago Mr. Szymczak requested Mr. L. R. Rounds, Mr. A. C. Kennel, Jr., and Mr. Paul C. Hodge to give preliminary and informal study to the problem of enforcement under Regulation W. At the same time, he requested Mr. C. A. Sienkiewicz, Mr. Robert R. Williams, and Mr. Loren B. Allen to consider informally the question of relationships between the Federal Reserve System and the Better Business Bureaus. They met with Mr. Szymczak and others on the Board's staff in February. These groups have since submitted reports to the Board and two copies of each are forwarded herewith for your information.

"The Board will not wish to come to any definite conclusion until the Federal Reserve Banks have had an opportunity to study both problems. It is contemplated that each Federal Reserve Bank will be invited to send a representative to a conference in Washington for the purpose of assisting the Board in finding a proper solution of these and other questions. The Board hopes to arrange such a meeting in the near future and full information will be sent to you as soon as possible. In the meantime, it will be appreciated if each Federal Reserve Bank will give thought to these and such other problems arising out of the regulation as are deemed important."
"The Board would be glad to have you suggest matters deserving of group discussion in such a conference."

Approved unanimously.

Thereupon the meeting adjourned.

Approved: [Signature]

Chairman.

[Signature]

Secretary.