

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, June 25, 1942, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Draper  
Mr. Evans

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 June 24, 1942, were approved unanimously.

Memorandum dated June 22, 1942, from Mr. Nelson, Assistant Secretary, recommending that John C. Carmen be appointed as a guard in the Secretary's Office on a temporary basis for an indefinite period, with salary at the rate of \$1,380 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, with the understanding that if his work is satisfactory during the first six months of his appointment a further recommendation will be submitted asking that his salary be increased to \$1,500 per annum.

Approved unanimously.

Memorandum dated June 22, 1942, from Mr. Wyatt, General Counsel,

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submitting the resignation of Mrs. Nadine Lane Gallagher as a stenographer in the Office of General Counsel, to become effective as of the close of business on June 22, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter prepared for the signature of Chairman Eccles to the Chairmen of all of the Federal Reserve Banks, reading as follows:

"As you know, the Board has been keenly interested in the development and maintenance of able leadership and efficient management in the Federal Reserve System. For that reason it welcomed the move made by the Chairmen at their conference at White Sulphur Springs last year to have Mr. Balderston and his associates make a study of plans for executive development in the Federal Reserve Banks, the acceptance by the Conference of Chairmen and the Conference of Presidents of the report of that study, and the appointment by the Presidents of a Standing Committee of the Presidents on Personnel Selection and Training.

"As a result of the thought which the Board has been giving to personnel matters during recent years, including consideration of the report of the Balderston study, the Board has created a Division of Personnel Administration. In it will be centralized the personnel work of the Board, as relates both to its own organization and to such personnel matters at the Federal Reserve Banks as appropriately come before the Board. Robert F. Leonard, a member of the Board's staff for 21 years, and for the last seven years Assistant Chief of the Division of Examinations, has been appointed Director of the new division.

"The new division will be expected:

1. To absorb the present personnel unit and to centralize the personnel work pertaining to the Board's own organization.
2. To further a program of recruitment and development as it relates to the work of the Board's staff and to work for the maintenance of high morale among the staff and good relations between it and the Board.

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- "3. To assist in working on such matters pertaining to personnel of the Federal Reserve Banks as come before the Board.
4. To follow and encourage the working of the Executive Development Plan in the Federal Reserve Banks and to cooperate with the Presidents in making arrangements for temporary assignments between the Federal Reserve Banks and the Board.

"The Balderston report not only discussed methods for developing a program, but contained conclusions as to the respective parts the Presidents, the Chairmen, and the Board of Governors should play in making the program effective. The Board agrees with the position taken in the report that the responsibility for the operation of the executive development plan rests upon the President of each Bank and that the Presidents should have direct control of whatever program is adopted by the several banks; that the part to be played by the Chairmen and directors under the plan is to insist that a systematic program be adopted in their respective banks and that it produce results; and that the Board of Governors should not undertake to exercise direct control over the program, but should facilitate the work of the Presidents in making the program effective. In the belief that it is fully consistent with such conclusions, the Board desires not only to facilitate, but also to encourage, the effective working out of the program. This desire was one of the principal reasons leading to the establishment of the Division of Personnel Administration as an independent division responsible directly to the Board.

"One of the recommendations of the Committee of the Chairmen's Conference with respect to the Balderston study was that officers-in-training at the Federal Reserve Banks have the opportunity to do a tour of duty at the offices of the Board of Governors. The Board promptly stated, in letters dated February 6, 1942, that it welcomed the opportunity to cooperate in carrying out such a plan, that it would provide office space for officers on such tours of duty at the Board, and that its senior staff would see that such officers had every opportunity of observing the work of each division and of becoming fully acquainted with the work in all parts of the Board's organization. Mr. Leonard, as Director of the Division of Personnel Administration, has been charged with the particular responsibility of working out with the Reserve Banks the details of this program.

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"The Board wishes to emphasize both the importance which it attaches to the continued development and maintenance of able leadership and efficient management at the Reserve Banks and its desire to cooperate in every way in making such continuing development effective.

"I am writing a similar letter to each Chairman and sending a copy to each President."

Approved unanimously.

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

"Referring to your letter of June 19, 1942, the Board of Governors approves the payment of a salary to Mr. William M. Kettner, Manager, Security Custody Department, at the rate of \$5,500 per annum, effective July 1, 1942, for the period ending March 31, 1943."

Approved unanimously.

Telegram to Mr. Evans, Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"Board approves appointment, effective July 1, 1942, of George A. Holder as an assistant examiner for the Federal Reserve Bank of Dallas."

Approved unanimously.

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

"Reference is made to your letter of June 19, 1942, submitting for the consideration of the Board the proposed recapitalization program of the Ossining Trust Company, Ossining, New York.

"It is understood that the plan contemplates the sale of preferred stock to the Reconstruction Finance Corporation having a par value of \$75,000 and retireable

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"at \$150,000. Simultaneously, the debentures now held by that corporation, amounting to \$150,000 are to be retired. The par value of the 2000 shares of common stock presently outstanding is to be reduced from \$100 to \$50 per share. All assets classified III and IV in the report of examination of the trust company as of October 30, 1941, are to be charged off and approximately \$69,300 is to be carried to a reserve for contingencies. After the transaction is completed the total of capital accounts will amount to about 13 per cent of deposits.

"In view of your recommendation and the information submitted, the Board grants its permission, under the provisions of condition of membership numbered 9, for the proposed reduction in capital stock, provided the transaction is consummated substantially in conformity with the plan as submitted."

Approved unanimously.

Letter to "The First National Bank in Fort Collins", Fort Collins, Colorado, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, registrar of stocks and bonds, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Colorado, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course.

"In acting upon your application the Board has taken into consideration the assurances which representatives of your bank have given to the Federal Reserve Bank of

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"Kansas City that you intend to employ as trust officer an individual who is qualified by education and experience to handle trust matters and to appoint an investment committee composed of men who are financially responsible and have had experience in administering trusts. The Board also wishes to emphasize the importance of installing and maintaining adequate trust records in order that evidence may be available at all times that the responsibilities assumed by the bank have been properly discharged."

Approved unanimously.

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

"Receipt is acknowledged of your letter of June 20, with further reference to the classification under Regulation W of the Hamilton Ross Toolmaster.

"It appears from your letter that there is no difference of opinion between your bank and the Federal Reserve Bank of Richmond, and in view of your statement that the Hamilton Ross Industries told you that 'they felt it was a tool designed as much for commercial as for home use,' it is clear, in view of the principle stated in the last paragraph of S-474-a, that the article is included in item 14 in Group A of section 13(a).

"A copy of your letter and of this reply are being sent to the Federal Reserve Bank of Richmond."

Approved unanimously.

Letter to Mr. Hodgson, Assistant Counsel of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of June 17 enclosing a copy of a letter which you have written to the First National Bank and Trust Company of Minneapolis regarding Regulation W.

"The question as submitted to you states that the bank makes monthly loans to a borrower secured by assignments of conditional sales contracts, and that as a practical matter, it is sometimes not possible for the bank to examine all of the contracts before a payment is received on account of one which is later found not to

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"conform to the Regulation. Such contracts are returned to the borrower, and the question is whether any amounts received on account of them should also be returned.

"You have replied in the affirmative, and this answer is correct."

Approved unanimously.

Letter to Mr. Hodgson, Assistant Counsel of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of June 17 presenting the following question:

"A person wishes to buy several individual listed articles which are not part of a set, group or assembly, each article costing less than \$15.00, as for example, clothing - \$10.00, paints - \$10.00, and furniture - \$10.00. The lender wished to know whether he would be permitted to lend the full purchase price of the articles, namely \$30.00.

"You say that you informed the Registrant that he would be permitted to make such a loan, and this answer is correct."

Approved unanimously.

Telegram to Mr. Woolley, Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"Your wire June 18. 'Listed article' in sections 5(e) and 6(b) and clause 1 of Footnote 5 of Regulation W refers to articles which are listed in section 13 at the time of the conversion or refinancing. These are specific provisions covering conversion of charge accounts and loans to retire charge accounts. Section 12(f) deals with renewals and revisions of existing contracts."

Approved unanimously.

Telegram to the Chairmen of all the Federal Reserve Banks, reading as follows:

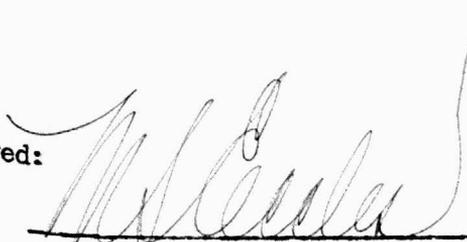
"Board of Governors approves payment of regular semi-annual dividend by your Bank on June 30, 1942."

Approved unanimously.

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Thereupon the meeting adjourned.

Charles Morrie  
Secretary.

Approved:   
Chairman.