A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 19, 1942, at 11:00 a.m.

PRESENT: 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 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 September 18, 1942, were approved unanimously.

Memorandum dated September 16, 1942, from Mr. Morrill, recommending that Chester B. Dampley, a painter in the Secretary's Office, be granted leave of absence without pay beginning September 16, 1942, so that he might enter active duty with the United States Navy, and that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously.

Memorandum dated September 17, 1942, from Mr. Stark, Assistant Director of the Division of Research and Statistics, submitting the resignation of Mrs. Elizabeth F. Luckadoo as an economic assistant in that

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Division, to become effective as of the close of business on October 5, 1942, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

Letter to the board of directors of the "Industrial State Bank of Kalamazoo", Kalamazoo, Michigan, 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, together with a letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Industrial State Bank of Kalamazoo', Kalamazoo, Michigan, 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 Commissioner of Banking for the State of Michigan for his information.

"With respect to the interlocking relationship of Vice President and Director George E. Monroe with the applicant and another bank in Kalamazoo, it is assumed that the bank understands that its admission to membership in the System will not affect the eligibility of Mr. Monroe to serve the two banks until the expiration of one year from the date of his last election as an officer and director of the applicant bank. However, the comments in the report of examination are not clear on that point."

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

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"Reference is made to your letter of June 17, 1942, advising that the directors of Marine Midland Corporation, Jersey City, New Jersey, had adopted a dividend policy for that corporation by which it is expected that the dividend recently declared, and also future dividends, will be covered by the corporation's actual net earnings.

"From the description of the new dividend policy contained in the letter to you dated May 13, 1942, from Mr. Bayard F. Pope, chairman of its board of directors, and from other information, it appears that the corporation plans to declare dividends in 1942 and subsequently only from its actual net earnings accumulated since December 31, 1941. Dividends from its subsidiaries included in such actual net earnings will be only such dividends as are paid out of net earnings of the subsidiaries accumulated since December 31, 1934. Such net earnings in the case of banking subsidiaries are to be computed in accordance with their earnings and dividends reports. It would appear that as long as this procedure is followed, and actual net earnings of the corporation are correctly computed in other respects, the payment of dividends by the corporation will not be in violation of the provisions of the voting permit application agreement, required by Section 5144 of the Revised Statutes of the United States, which restrict dividends to actual net earnings. It is requested that you advise the corporation accordingly.

"From summaries of net earnings and dividends of its subsidiaries furnished through you by the corporation the Board's Division of Examinations has prepared a list of the amounts of undistributed earnings of the subsidiaries since December 31, 1934, accruing to the corporation's equity in such subsidiaries at December 31, 1941. The Chief of that Division is furnishing you with a list of these balances and also a few comments on other related matters. It is requested that in your reviews of the annual reports, and also during examinations of the holding company affiliate, the payment of dividends and computation of actual net earnings of the corporation be carefully checked for conformity with the proposed procedure."

Approved unanimously.

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

"Referring last sentence our July 20 telegram, interest, fees, and other charges derived by Navy Department from loans and guarantees, mentioned in Section 5, page 5, of instructions to all Reserve Banks, dated May 13, 1942, should be credited to General account of U. S. Treasurer for credit in regular disbursing account of A. B. CARPENTER LT COMDR SC USNR, symbol no. 56-324, address, Property Accounting Office, Navy Department, Washington, D. C. Certificate of Deposit Form 6599 should bear legend 'Interest and Fees - EO No. 9112' and should contain appropriate description of item credited. Original of certificate of deposit should accompany transcript to U. S. Treasurer; duplicate should be mailed to Finance Section, Office of Procurement and Material, Navy Department, Washington, D. C.; and, triplicate should be mailed to Lt. Comdr. Carpenter."

Approved unanimously.

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

"There is enclosed for your information a copy of General Order No. 54 Revised adopted by the Maritime Commission on August 25, 1942, and received by the Board with a letter of transmittal from the Maritime Commission dated September 12, 1942, relating to the delegation of authority by the Maritime Commission to guarantee loans under Executive Order No. 9112. Your particular attention is directed to paragraphs 1) and 2) of the General Order which, of course, affect the instructions of the United States Maritime Commission to all Federal Reserve Banks dated May 7, 1942."

Approved unanimously.

Memorandum dated September 15, 1942, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that the authorization granted Mr. Goldenweiser, Director of the Division of Research and Statistics, on September 12, 1939, to incur such transportation and per diem expenses at the rate of $5.00 per day, as might be necessary

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occasionally to bring to Washington for interview persons whose names had been recommended to him for consideration as possible employees in his Division, be extended to all divisions of the Board, with the understanding that the authority would be used with the concurrence of the Director of the Division of Personnel Administration after having first made as complete an investigation as possible, that, as was the case with the original authority, such interviews would involve in no way a commitment as to the Board's action with respect to the employment of any individual, that, if as a result of the interview it was desired to recommend the employment of an individual, the recommendation would be submitted in the usual way, and that the expenses incurred, supported by an appropriate travel order, would be paid from the budget for traveling expenses of the division concerned. The memorandum also recommended that, in addition to allowing actual necessary transportation expenses as provided by the Board's travel regulations, the per diem allowance in lieu of subsistence be increased from $5.00 to not to exceed $6.00 per day, the rate presently allowed Board employees.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrill
Secretary.

Approved:

Vice Chairman.

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