

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 2, 1943, at 2:00 p.m.

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

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary

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 January 1, 1943, were approved unanimously.

Memorandum dated December 29, 1942, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Sara Louise Bieler be appointed as a clerk-stenographer in that Division, with salary at the rate of \$1,800 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. Rounds, First Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of December 19, 1942, in which you refer to the retirement for disability of Mr. Nicholas J. Schilling, an employee of your Bank.

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"You state that in addition to the contribution to the Retirement System of an amount equal to six months' salary (\$840), the directors authorized the payment, subject to approval of the Board of Governors, of \$25 each month to Mr. Schilling from date of his retirement to December 31, 1943, or the date of his death, whichever shall first occur.

"In view of the circumstances described in your letter, and in accordance with your request, the Board approves such payment."

Approved unanimously.

Telegram to Mr. Ruml, Federal Reserve Agent at the Federal Reserve Bank of New York, authorizing him to issue a limited voting permit, under the provisions of section 5144 of the Revised Statutes of the United States, to the "First Securities Corporation of Syracuse", Syracuse, New York, entitling such organization to vote the stock which it owns or controls of "The First National Bank of Canastota", Canastota, New York, "Liverpool Bank", Liverpool, New York, "Citizens Bank of Clyde", Clyde, New York, and "The State Bank of Parish", Parish, New York, at any time prior to April 1, 1943, to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

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

"As suggested in your letter of December 22, 1942, it is desired that an annual report on Form F.R. 437 for the year 1942 be obtained from First Securities Corporation of Syracuse, Syracuse, New York. Although the corporation does not hold a general voting permit, limited permits have been granted to it from time to time and the regular annual

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"report should be obtained, as in the past, in order that we may have full information regarding the activities of the corporation during 1942.

"Three copies of Form F.R. 437 are enclosed for use in obtaining the report from First Securities Corporation of Syracuse."

Telegrams to Mr. Grady, Federal Reserve Agent at the Federal Reserve Bank of San Francisco, authorizing him to issue limited voting permits, under the provisions of section 5144 of the Revised Statutes of the United States, to the "Old National Corporation" and the "Investment and Securities Co.", both of Spokane, Washington, entitling such organizations to vote the stock which they own or control of "The Old National Bank of Spokane" and the "First National Bank in Spokane", both of Spokane, Washington, at any time prior to April 1, 1943, to elect directors of such banks at the annual meetings of shareholders, or any adjournments thereof, and to act thereat upon such matters of a routine nature as are ordinarily acted upon at the annual meetings of such banks.

Approved unanimously, together with a letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"It is desired that annual reports on Form F.R. 437 for the year 1942 be obtained from Old National Corporation and Investment and Securities Co., both of Spokane, Washington. Although these two holding company affiliates do not hold general voting permits, limited permits have been granted to them from time to time and the regular annual reports should be obtained, as in the past, in order that we may have full information regarding their activities during 1942.

"A supply of Form F.R. 437 is enclosed for use in obtaining the reports from Old National Corporation and Investment and Securities Co."

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

"Reference is made to your letter of December 14, 1942 inquiring whether the provisions of section 22(g) of the Federal Reserve Act and the Board's Regulation O are applicable to loans made to executive officers of member banks where the notes evidencing such loans are executed on Commodity Credit Corporation Cotton Form A-1942 and secured by the cotton referred to in the note and loan agreement.

"In circular letter S-64, dated January 12, 1938, the Board ruled that the liability of an executive officer of a member bank as maker of a note on the form prescribed by the Commodity Credit Corporation representing a loan on cotton falls within the provisions of the Board's Regulation O. This ruling was based upon the provisions of the 1937-1938 cotton producers note and loan agreement prescribed by the Commodity Credit Corporation and although it is recognized that the 1942 form of note and loan agreement submitted with your letter is not the same in all respects as the 1937-1938 form, the essential fact remains that the transaction is a loan upon which the maker has some contingent liability. It is also evident that the Commodity Credit Corporation does not purport to buy cotton but only to make loans on the security of cotton and therefore the notes in question must be regarded as evidence of debt rather than evidences of sale.

"It is also recognized that the payment of the loan is in effect guaranteed by the Commodity Credit Corporation when the cotton pledged as security for the loan has been placed in a pool conducted by the Corporation. The adequacy of the collateral securing an executive officer's loan has not heretofore been regarded as a test as to whether the loan in question was a violation of the statute. The statute is silent on this point and, as you know, the Board has held that mortgage loans to executive officers of member banks which are insured under the provisions of the National Housing Act are subject to section 22(g). (See Board's ruling contained in its letter X-9525, dated March 20, 1936.)"

Approved unanimously.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

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"In accordance with Mr. Szymczak's promise during your telephone conversation with him today, this is to confirm the fact that the Board of Governors approved, among others, the resolution adopted at the Conference of Chairmen on October 5, 1942 in relation to the procedure for reporting indebtedness of Reserve Bank officers and employees and, as you will recall, in our letter of November 18 asked to be kept informed as to actions taken or contemplated by directors of the Federal Reserve Banks with respect to these matters.

"The Board has been pleased to note the progress that has been made among the Federal Reserve Banks in bringing about the implementation of these results and hopes that your directors will take similar action promptly."

Approved unanimously.

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

"Please accept our thanks for your letter of December 22, 1942, enclosing a copy of the by-laws of the Federal Reserve Bank of Chicago as amended by action of the board of directors of your bank at its meeting on December 17, 1942.

"It is noted that the amendments made at that meeting relate to the provisions of Article III, Section 1, regarding the election of a representative on the Federal Open Market Committee, the provisions of Article IV, Section 2, regarding the signing of certificates of stock, or of payment of, or on account of, stock subscriptions, and the provisions of Article VI, Section 1, regarding the number of directors of the Detroit Branch.

"In this connection, the change in the number of directors of the Detroit Branch, advice of which was transmitted to the Board by Mr. Young's letter of December 22, 1942, is hereby approved by the Board in accordance with section 3(a) of the Board's regulations relating to branches of Federal Reserve Banks."

Approved unanimously.

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

"In addition to summary of asset items one to five, by classes of banks, now furnished Board within three weeks after calls for condition reports are made, please furnish at the same time

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"corresponding summary figures of item 13, 'Demand deposits of individuals, partnerships and corporations', as of current and future call dates."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Moriel
Secretary.

Approved: [Signature]
Vice Chairman.