A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, January 23, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, 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 January 22, 1943, were approved unanimously.

Memorandum dated January 18, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Miss Elinor M. Palmieri be appointed as a clerk in that Division on a temporary basis for an indefinite period, with basic salary at the rate of $1,260 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, and with the understanding that if anything derogatory should develop in the investigation of her references her services may be discontinued immediately.

Approved unanimously.

Letter to Mr. Ruml, Federal Reserve Agent at the Federal Reserve Bank of New York, reading as follows:
"In accordance with the request contained in your letter of January 7, 1943, the Board of Governors approves the appointments of Mr. Joseph H. P. Farnon and Mrs. Edna K. Reynolds as Alternate Assistant Federal Reserve Agents with annual salaries at the rates of $3,700 and $2,500, respectively, with the understanding that they will be placed upon the Agent's payroll and will be solely responsible to you, or, during a vacancy in the office of Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Alternate Assistant Federal Reserve Agents they may, with the approval of the Federal Reserve Agent, or during a vacancy in the office of the Federal Reserve Agent, of the Assistant Federal Agent, and the President, perform such work for the Bank as will not be inconsistent with their duties as Alternate Assistant Federal Reserve Agents.

"The Board also approves the payment of salary to Mr. Norman C. Cooper, Alternate Assistant Federal Reserve Agent, at the rate of $3,700 per annum, effective January 1, 1943.

"It is understood that the appointment of Mr. Robert W. Bullock as Alternate Assistant Federal Reserve Agent will be terminated upon his transfer to the Bank Examinations Department. Therefore, please advise what action, if any, we should take with respect to releasing the bonding company from liability for any acts committed by Mr. Bullock subsequent to the termination of his duties as Alternate Assistant Federal Reserve Agent, together with the actual date of termination of such duties.

"Mr. Farnon and Mrs. Reynolds should not enter upon the performance of their duties as Alternate Assistant Federal Reserve Agents until their bonds have been examined by your counsel to determine whether the execution of the bonds complies fully with the rules printed on the reverse side thereof.

"Please advise the effective dates that Mr. Farnon and Mrs. Reynolds assume their duties as Alternate Assistant Federal Reserve Agents."

Approved unanimously.

Letter to Mr. Hays, Vice President and Secretary of the Federal Reserve Bank of Cleveland, reading as follows:
"This refers to your letter of January 15, 1943, regarding certain proposed amendments to the by-laws of the Cincinnati and Pittsburgh Branches of your Bank which were discussed at the last meeting of your board of directors.

"It is noted that the effect of the proposed amendments would be to discontinue the office of 'Managing Director' and to provide that there shall be at each such Branch a 'chief executive officer' appointed by your board of directors with such title as your board may determine; and that, as the result of this change, the provision of the by-laws of each Branch regarding responsibility for monies, investments and securities would be amended to substitute 'the chief executive officer' for 'the Managing Director'. It is also noted that the resulting vacancy on the board of directors of each Branch would be filled by a new director to be appointed by your board.

"The proposed amendments appear to be in accordance with the Regulations of the Board of Governors relating to Branches of the Federal Reserve Banks. It is assumed that any change in the title of the 'chief executive officer' of the Branch will be submitted to the Board of Governors for approval before it becomes effective."

Approved unanimously.

Letter to Mr. Woolley, Secretary of the Federal Reserve Bank of Kansas City, reading as follows:

"Referring to your letter of January 16, 1943, the Board of Governors approves the reappointment of Messrs. R. L. Gray, D. Bruce Forrester, Ed S. Miller, Thomas McNally, and Mason L. Thompson, as members of the Industrial Advisory Committee for the Tenth Federal Reserve District for terms of one year each beginning March 1, 1943."

Approved unanimously.

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

"Your letter of January 13 contains certain questions regarding the application of Regulation W to paper growing out of the sale of an unlisted article."
The first question is whether such paper, if endorsed and sold 'with recourse' to a lender, may be renewed (by means of a similar obligation similarly endorsed) without being subject to the maturity requirements of the Regulation. As indicated in W-83 and S-583, this may be done since the paper which the lender takes does not fail to comply with the requirements of the Regulation.

However, if the paper is renewed by means of a new note payable directly to the lender, the new note would be subject to the maturity provisions applicable generally to loans (see W-118). This statement, of course, answers your last question, which relates to credit sold by the seller to the lender 'without recourse' since in such cases the renewal would be made by means of an obligation payable directly to the lender.

Approved unanimously.

Letter to Bodkin, Breslin & Luddy, Attorneys, Los Angeles, California, reading as follows:

This refers to your letter of January 15, 1943, requesting an expression of the Board's opinion concerning the validity of voting trusts covering stock of national banks.

The Board has not had occasion to express an opinion concerning the validity of such voting trusts and does not feel that it is appropriate for it to do so in view of the responsibilities vested in the Comptroller of the Currency with respect to the supervision of national banks. From the reference to the Comptroller in your letter, we assume that you have written to him.

It is suggested that, in drafting any such agreement, you may wish to consider the question whether the voting trust will constitute such an organization as might be a holding company affiliate of the bank within the meaning of section 2(c) of the Banking Act of 1933 (12 U.S.C. 221a). In this connection, attention is called to a ruling published in the Federal Reserve Bulletin for February 1934 at page 122, in which the Board expressed the opinion that the voting trust described therein was not a 'corporation, business trust, association, or other similar organization' and, accordingly, was not a holding company affiliate. If you have further questions concerning this aspect of the matter, it is suggested that you consult the Federal Reserve Bank of San Francisco.

Approved unanimously.
Thereupon the meeting adjourned.

Chester Havice
Secretary.

Approved: [Signature]
M. Scudder
Chairman.