A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, February 19, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
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 February 18, 1943, were approved unanimously.

Telegrams to Mr. Paddock, President of the Federal Reserve Bank of Boston, Messrs. Treiber and McCreedy, Secretaries of the Federal Reserve Banks of New York and Philadelphia, respectively, Mr. McLarin, President of the Federal Reserve Bank of Atlanta, and Messrs. Dillard and Hale, Secretaries of the Federal Reserve Banks of Chicago and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Bank of San Francisco on February 16, by the Federal Reserve Bank of Atlanta on February 17, by the Federal Reserve Banks of New York, Philadelphia, Chicago, and San Francisco on February 18, 1943, and by the Federal Reserve Bank of Boston today, of the rates of discount and purchase in their existing schedules.

Approved unanimously.
Memorandum dated February 18, 1943, from Mr. Morrill, recommending that the Board accept the resignation of Mrs. Lillian C. Fisher as a kitchen helper in the Secretary's Office, effective as of 8:45 a.m. on February 18, 1943.

The resignation was accepted.

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

"In accordance with your request, the Board of Governors approves the discontinuance of the position of 'Supervisor of the Auditing Department' and the establishment of the position of 'Assistant Auditor' described in the revised page 15 of the Personnel Classification Plan of your Bank forwarded with your letter of February 13, 1943."

Approved unanimously.

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

"This refers to your letter of January 15, 1943, to Mr. Pollard, relating to the eligibility of Anacostia Bank, Washington, D. C., for membership in the Federal Reserve System.

"The Board has been advised by Mr. C. B. Upham, Deputy Comptroller of the Currency, in a letter dated February 16, 1943, that it is the opinion of his office that a national bank could be chartered and authorized to begin business in an outlying district of Washington, D. C., with a capital of less than $200,000 but not less than $100,000. "It is understood that Anacostia Bank has paid-up unimpaired capital in the amount of $142,000. Accordingly, the Board is of the opinion that, in so far as technical capital requirements are concerned, Anacostia Bank is eligible for membership."

Approved unanimously."
Letter to Mr. McRae, Chief Examiner at the Federal Reserve Bank of Boston, reading as follows:

"This refers to your letter of January 27, 1943, and enclosed copies of correspondence and opinion of your Counsel relating to the question whether section 32 of the Banking Act of 1933 is applicable to Mr. Richard Saltonstall as a partner of State Street Research and Management Company, Boston, and as a director of Second National Bank, Boston.

"It is noted that Counsel for your Bank in the opinion enclosed with your letter expressed the view that the statute does not apply to the relationship in question. On the basis of the information submitted, the Board sees no reason to differ with this opinion.

"You will, of course, readily understand that each case of this kind must depend upon its own facts and that a statement of general principles is not feasible. Among the facts which undoubtedly influenced your Counsel, and which influenced the Board in agreeing with his opinion, is the fact that the State Street Research and Management Company is not furnishing advice exclusively to the State Street Investment Corporation but is also furnishing it to two other companies, which indicates that it is not, for practical purposes, a single entity with the Investment Corporation. Perhaps the distinction may be illustrated by saying that a different result might be reached if it appeared that a management corporation, as a separate legal entity, was used merely in order to enable former directors, officers or employees of an investment company to serve the management corporation, but retain for all practical purposes their former relationships with the investment company."

Approved unanimously.

Telegram to the Presidents of the Federal Reserve Banks of Cleveland, Richmond, Atlanta, Chicago, St. Louis, Minneapolis, Dallas, and San Francisco, reading as follows:

"Referring to letter from Mr. Rounds, Chairman of Retirement Committee, dated December 21, 1942, and action of recent Presidents' Conference recommending payment to the Retirement System by the Board and the Reserve Banks of $2,162,958 required to bring the annuity accumulation account to a 3 percent base as of February 28, 1943, we have been advised that
"some Banks have authorized payment of their respective shares contingent as is appropriate on payment by all Banks and the Board. Please wire whether your Bank expects to make its payment and, if decision has not been reached, date when such decision is anticipated. All Reserve Banks will be advised whether payment is to be made as soon as information is available."

Approved unanimously.

Memorandum dated February 15, 1943, from Mr. Smead, Chief of the Division of Bank Operations, and Mr. Wyatt, General Counsel, submitting the following letter to the Presidents of all the Federal Reserve Banks:

"This is to advise you that the Board of Governors has now received an executed copy of the self-insurance agreement as revised and agreed upon by the temporary insurance committee at its meeting in Washington on November 19-20, 1942, from each Federal Reserve Bank and, pursuant to provisions of Section XII, the agreement will become effective ten days after the date of this letter.

"For your information there is enclosed a copy of a letter on this subject written today to Mr. Hugh Leach, Chairman, Committee on Operations, Conference of Presidents of the Federal Reserve Banks."

The letter to Mr. Leach read as follows:

"The Board of Governors has now received an executed copy of the self-insurance agreement, as revised and agreed upon by the temporary committee on insurance at its meeting in Washington on November 19-20, 1942, from each Federal Reserve Bank and, pursuant to the provisions of Section XII of the agreement, is this day notifying all Federal Reserve Banks to that effect.

"In notifying you on December 11, 1942, of the Board's approval of the insurance agreement, the Board stated that it approved the agreement in the form submitted, with the understanding that the Conference of Presidents would instruct the Insurance Committee to consider without delay the extension of the coverage, as suggested in the Board's letter of March 30, 1942, to Mr. Day, Chairman of the Conference of Presidents.

"In discussing this matter with the Presidents at their Conference in Washington on January 26, 1943, Governor Szymczak and I stated that a review of past experience indicated clearly to the Board that the self-insurance agreement
"should be extended promptly to practically all risks now covered by purchased insurance, unless there are some legal objections thereto, and that, in the Board's opinion, present large expenditures for purchased insurance are not justified.

"The Board understands the Committee appointed pursuant to Section VII of the insurance agreement will be instructed to study this matter promptly and to bring in a report as early in 1943 as practicable, which will contain a review of the problems involved in extending the self-insurance agreement to cover risks now covered by purchased insurance and recommendations with respect to the substitution of self-insurance for purchased insurance. The Board will appreciate receiving a copy of the instructions given to the Insurance Committee on this subject."

Approved unanimously, and Mr. Smead was designated as the Board's representative to attend the meetings of the Insurance Committee created by the agreement.

Memorandum dated February 18, 1943, from Mr. Carpenter, submitting, for the reasons stated therein, the following telegram to Mr. Sanford, Assistant Vice President of the Federal Reserve Bank of New York:

"Our conversations re foreign exchange files requested by representative of Department of Justice. Board approves loan of the two packages of files in question to the Department of Justice with the understanding that the files will be kept intact and that they will be returned as soon as possible in the same order and arrangement in which they are released. Please have authorized representative of the Department receipt for the files. Also please advise this office as soon as they are returned."

Approved unanimously.

Memorandum dated February 12, 1943, from Mr. Carpenter, stating, for the reasons set forth in the memorandum, that it was assumed that it met with the approval of the Board to omit from the policy record for 1942 any reference to the Board's action on November 20, 1942, in approving the issuance by the Federal Reserve Banks of approximately
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$660,000,000 of Federal Reserve Bank notes.

Approved unanimously.

Memorandum dated February 18, 1943, from Mr. Wingfield, Assistant General Attorney, recommending that there be published in the March issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Loans to Executive Officers; and

Foreign Funds Control.

Approved unanimously.

Thereupon the meeting adjourned.

[Signatures]

Chairman.

Secretary.