

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, February 27, 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 herein-after 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 26, 1943, were approved unanimously.

Memorandum dated February 23, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Mrs. Winofred Racz be appointed as a clerk in that Division, with basic salary at the rate of \$1,560 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.

Memorandum dated February 25, 1943, from Mr. Morrill, recommending that Misses Jean Caughron and Ruth Callison be appointed as pages in the Secretary's Office on a temporary basis for an indefinite

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period, each with basic salary at the rate of \$1,260 per annum, effective as of the respective dates upon which they enter upon the performance of their duties after having passed satisfactorily the usual physical examination.

Approved unanimously.

Memorandum dated February 25, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, for the reasons stated in the memorandum, (1) that the leave of absence without pay because of confinement granted to Mrs. Kathryn S. Faulkner, a clerk in that Division, be extended for the period February 3 through February 15, 1943, on the same basis as approved by the Board on June 29, 1942, under which the Board has continued its contributions to the retirement system on Mrs. Faulkner's behalf during her leave without pay and she has been permitted to discontinue her payments during the same period, and (2) that Mrs. Faulkner be placed on the pay roll as a regular full-time employee effective February 16, 1943.

Approved unanimously.

Memorandum dated February 26, 1943, from Mr. Morrill, recommending that the following increases in salaries of employees in the Accounting Section of the Secretary's Office be approved, effective March 1, 1943:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Sampson H. Bass	Supervisor	\$3,600	\$3,800
Wayne A. Pollard	Accountant	2,900	3,200
Harold F. Stone	Accounting Clerk	2,300	2,500

Approved unanimously.

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Memorandum dated February 22, 1943, from Mr. Dreibelbis, General Attorney, recommending that the Board approve a leave of absence with pay, on account of illness, for John H. Hunley, a messenger in the Legal Division, for the period beginning February 24 and extending through March 30, 1943, with the understanding that such leave will not be charged against any annual or sick leave which he may accumulate in the future.

Approved unanimously.

Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"In accordance with your request the Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of Philadelphia, as submitted with your letter of February 20, 1943."

Approved unanimously.

Telegram to Mr. William A. Alexander, Vice President of the Denver Tramway Corporation, Denver, Colorado, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Denver Branch of the Federal Reserve Bank of Kansas City for the unexpired portion of the term ending December 31, 1945, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to the Joint Committee on Salaries and Wages, reading as follows:

"Under the procedure established by General Order No. 19, of the War Labor Board and the authority granted by the Commissioner of Internal Revenue, transmitted herewith are the originals and four copies of certificates Nos. 1 to 4 of the Federal Reserve Bank of Philadelphia with respect to adjustments, under the personnel

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"classification plan, in the maximum annual salaries for certain positions at that Bank.

"These increases have been approved by the Board of Governors of the Federal Reserve System as submitted.

"In transmitting these certificates, attention is called to the fact, which has been discussed with representatives of the War Labor Board and of the Commissioner of Internal Revenue, that the maximum annual salaries approved under the personnel classification plan are not, in general, established rates paid for all employees coming within the respective groups. They represent instead maximums within which adjustments, including increases due to individual merit and earned through long service, may be made by the Reserve Bank without further reference to the Board of Governors."

Approved unanimously.

Letter to Mr. Guy T. Helvering, Commissioner of the Bureau of Internal Revenue, reading as follows:

"This is written in accordance with a suggestion made by Mr. Needham, of your office, in a telephone conversation with Mr. Leonard, of the Board's staff, regarding a question which had been raised by the office of Mr. Buffington, Assistant to the Secretary of the Treasury, as to how adjustments may be made in the salaries of the executive directive personnel of the Victory Fund Committees under the regulations pertaining to the stabilization of salaries.

"A brief word as to the work and organization of the Victory Fund Committees may be helpful. Last May the Federal Reserve authorities cooperated with the Secretary of the Treasury in setting up a Victory Fund organization to aid in the sale and wider distribution of Government obligations. A Victory Fund Committee was established in each Federal Reserve District under the chairmanship of the President of the Federal Reserve Bank. The Secretary of the Treasury is Chairman of the National Committee composed of the Presidents of the Federal Reserve Banks. All appointments to the Committees and the appointments and salaries of the directive personnel of the Committees are subject to approval by the Treasury.

"The employees of the Victory Fund Committees are not employees of the Federal Reserve Banks. As a matter of convenience, the salaries of the directive personnel as well as of the clerical personnel of the Committees are paid by the Federal Reserve Banks, which, however, receive reimbursement therefor from the Treasury.

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"It is understood that your office will take this matter up with the office of Mr. Buffington, of the Treasury."

Approved unanimously.

Letter to the board of directors of the "Limestone County Bank", Athens, Alabama, 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 Atlanta.

The letter also contained the following special comment:

"It appears that the bank is authorized to exercise trust powers but is not doing so and that it may possess certain other powers which are not being exercised and which are not necessarily required in the conduct of a banking business. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of admission to membership, it will be necessary, under condition of membership numbered 1, to obtain the permission of the Board of Governors before exercising them. In this connection, the Board understands that there has been no change in the scope of corporate powers exercised by the bank at the time of its application for membership."

Approved unanimously, for transmission through the Federal Reserve Bank of Atlanta.

Letter to Mr. Hitt, First Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of February 13, 1943, with enclosures, regarding the transfer of deposits amounting to \$228,143.95 and an equal amount of cash by the Bank of Crofton, Crofton, Kentucky, a noninsured bank, to the Planters Bank and Trust Company, Hopkinsville, Kentucky, as of October 17, 1942.

"On the basis of the information submitted the Board concurs in your opinion that the transaction did not result

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"in any change in the general character of business or the scope of corporate powers exercised by the member bank within the meaning of its condition of membership numbered 1."

Approved unanimously.

Letter to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to your letter of February 9, 1943, enclosing an opinion of your counsel with respect to the right of The Bank of California, National Association, San Francisco, California, to exercise fiduciary powers through its branches in Oregon and Washington, and requesting advice as to whether we concur in the conclusions reached by him.

"On August 6, 1915, the Board issued The Bank of California, National Association, a permit reading as follows:

'Pursuant to the authority vested in the Federal Reserve Board by the Act of Congress approved December 23, 1913, known as the Federal Reserve Act, the BANK OF CALIFORNIA N.A., SAN FRANCISCO, CALIF. is hereby granted the right to act, under the rules and regulations prescribed by the Federal Reserve Board, as trustee, executor, administrator, and registrar of stocks and bonds in so far as the exercise of such powers is not in contravention of State or local law.'

"Following the amendment of section 11(k) of the Federal Reserve Act on September 26, 1918, the bank filed a new application for permission to exercise the powers listed in the permit then held by it and additional powers authorized by such amendment. The Board approved this application and issued to the bank a permit, dated December 2, 1918, reading as follows:

'Pursuant to authority vested in the Federal Reserve Board by the Act of Congress approved December 23, 1913, known as the Federal Reserve Act, as amended by the Act of September 26, 1918, the BANK OF CALIFORNIA, N.A. OF SAN FRANCISCO, CALIFORNIA has been granted the right to act, when not in contravention of State or local law, as Trustee, Executor, Administrator, Registrar of stock 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 CALIFORNIA. The exercise of such rights shall be subject to regulations prescribed by the Federal Reserve Board.'

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"The bank's right to exercise the fiduciary powers covered by its permits through its branches in Oregon and Washington is restricted only by the provision that the bank shall act 'when not in contravention of State or local law'. Apparently it has been suggested that the words 'under the laws of the State of California' in the bank's second permit may prohibit the exercise of fiduciary powers in States other than California. These words have no reference to the place where the powers may be exercised. They are, instead, merely a part of the description of the fiduciary powers which the bank may exercise in addition to the eight powers specifically enumerated in section 11(k) of the Federal Reserve Act and the permit. They do, however, limit such additional powers to those which may be exercised by competing State institutions in California; and, thus, it is conceivable that competing State institutions in Oregon and Washington might have fiduciary powers which this bank cannot exercise.


"It will be apparent from the foregoing that, while we do not differ substantially with the result reached by your counsel, we believe that conclusion numbered (3) appearing at the top of the second page of his opinion is not entirely accurate.

"The question whether the exercise of fiduciary powers through its branch in Oregon would be in contravention of the laws of that State appears to be disposed of by section 40-1223 of the Oregon Compiled Laws Annotated. It is not clear to us that, in view of this section and, also, section 40-1218, the bank's right to act as committee of estates of lunatics could be questioned, as has been suggested by your counsel. In so far as the laws of the State of Washington are concerned, the right of the bank to exercise fiduciary powers in that State appears to be covered by sections 3223 and 3224 of Remington's Revised Statutes of Washington, under which the State authorities issued to the bank certificates evidencing its right to exercise such powers through its Seattle and Tacoma branches."

Approved unanimously.

Thereupon the meeting adjourned.

Approved:

  
Chairman.

  
Secretary.