

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

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Evans

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

The action stated with respect to each of the matters herein-after referred to was taken by the Board:

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, Stewart, and Hale, Secretaries of the Federal Reserve Banks of Chicago, St. Louis, and San Francisco, respectively, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on March 16, by the Federal Reserve Bank of Atlanta on March 17, by the Federal Reserve Banks of New York, Philadelphia, Chicago and San Francisco on March 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 March 17, 1943, from Mr. Morrill, recommending that Miss Edith Bare be appointed as a page in the Secretary's Office 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

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she enters upon the performance of her duties after having passed satisfactorily the usual physical examination, with the understanding that if anything derogatory should develop in the investigation of her references her services may be terminated immediately.

Approved unanimously.

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

"There is enclosed for your information a copy of a letter dated March 9, 1943 addressed to the Board by A. D. Burford, Deputy Commissioner of Internal Revenue, to the effect that adjustments of salaries of the directive and clerical personnel of the Victory Fund Committees do not require the prior approval of the Commissioner of Internal Revenue and that such adjustments need not therefore be included in the certificate procedure in effect for the regular personnel of Federal Reserve Banks.

"Although our letter to which the letter referred to above is a reply dealt only with directive personnel of the Victory Fund Committees, the enclosed letter of March 9 expressly relates to clerical personnel as well as directive personnel and in this connection appears to conform to the views expressed in the Board's telegram of February 8, 1943 (S-618-b)."

Approved unanimously.

Letter to Mr. Nardin, Chairman of the Federal Reserve Bank of St. Louis, reading as follows:

"Reference is made to your letter of December 30, 1942, regarding the actions taken or contemplated by your directors in connection with the resolutions adopted at the Conference of Chairmen on October 5.

"With respect to Topic 3, 'Procedure for Reporting Indebtedness of Reserve Bank Officers and Employees', the procedure described in your letter differs from that suggested in the Chairmen's resolution. Among other things, the suggested procedure contemplated that indebtedness reports would be presented to the Board of Directors, or the appropriate committee thereof, after such reports are reviewed

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"and commented upon by the President. However, under your existing procedure, the indebtedness of an officer or employee holding a responsible position is reported to the Board of Directors only in those instances where in the judgment of the President and the First Vice President it appears justified. In this connection, it is noted that the indebtedness reports are reviewed by your General Auditor at such times as he deems advisable, but you did not indicate whether it is the practice of the Auditor to report to the Board of Directors, or the Chairman or a committee thereof, any matters which in his opinion should be brought to their attention with respect to such reports.

"Regarding paragraphs (4) and (5) of the indebtedness reports procedure, it is understood that your directors feel that it would hardly seem practicable or desirable for the Examination Department to review every loan listed in national bank reports on the unlikely chance that a loan to an officer or employee of a Federal Reserve Bank might be found among those criticized. It would seem that reporting information only on those persons identified in reports of examination as officers or employees of a Reserve Bank would not place any additional burden on the Reserve Bank as the information would be picked up in the regular review of such reports by the Bank Examination Department. Enclosed for convenient reference is a mimeographed copy of the suggested procedure entitled 'Reports of Personal Indebtedness, etc.'.

"The Board of Governors approved, among others, the resolution adopted at the Conference relative to the procedure for reporting indebtedness of Reserve Bank officers and employees and would appreciate being advised as to further actions taken by your directors with respect to the various numbered paragraphs of the suggested procedure.

"We appreciate very much the information you have furnished us and wish to assure you of our interest in learning of the further developments at your Bank regarding the various matters discussed at the Chairmen's Conference."

Approved unanimously.

Letter to Mr. Cozzo, Deputy Chairman of the Federal Reserve Bank of Dallas, reading as follows:

"In response to my letter of November 18, 1942 stating that the Board of Governors would like to be kept informed as to the actions taken or contemplated by the directors of the Federal Reserve Banks with respect to the

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"resolutions adopted at the meeting of the Conference of Chairmen on October 5, you advised under date of January 29 that all of the matters had been discussed in a general way with your Board of Directors and that action had been taken with respect to the enlargement of the functions of your branches. In a letter dated February 26, Mr. Gilbert has been good enough to comment upon and furnish additional information as to developments with respect to each of the matters made the subject of resolutions at the Conference.

"Although Mr. Gilbert's comments with respect to Topic 2, 'Relationship of Reserve Bank Auditors', did not specifically cover each of the eight points in the Statement of Principles, he stated that the resolution adopted by the Conference virtually outlined the program in effect at the Dallas Bank for several years.

"With regard to Topic 3, 'Procedure for Reporting Indebtedness of Reserve Bank Officers and Employees', the procedure described in Mr. Gilbert's letter differs somewhat from that suggested in the Chairmen's resolution. In this connection, it is understood that under the procedure recently adopted at your Bank, the Chairman or the President, as the case may be, will be responsible for keeping the Auditor advised of situations where he feels the information would be helpful to the Auditor in carrying on his work. You are familiar, of course, with the discussions on this point at the Conference, but it is our thought that the reasons advanced in those discussions clearly showed the desirability of having the Auditor review all indebtedness reports as a matter of regular procedure and requiring that he report to the Board of Directors, or the Chairman or a committee thereof, any matters which in his opinion should be brought to their attention.

"With respect to paragraphs (4) and (5), of the indebtedness reports procedure, it is understood that your directors feel that the chances of obtaining the desired information regarding indebtedness of Reserve Bank officers and employees are so remote that the work involved in checking examination reports of member banks would hardly be justified. It would seem that reporting information only on those persons identified in reports of examination as officers or employees of a Reserve Bank would not place any additional burden on the Reserve Banks as the information would be picked up in the regular review of such reports by the Bank Examination Department. Enclosed for convenient reference is a mimeographed copy of the suggested procedure entitled 'Reports of Personal Indebtedness, etc.'.

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"The Board of Governors approved, among others, the resolution adopted at the Conference relative to the procedure for reporting indebtedness of Reserve Bank officers and employees and would appreciate being advised as to the further actions taken by your directors with respect to the various numbered paragraphs of the suggested procedure.

"We appreciate very much the information you and Mr. Gilbert have furnished us and wish to assure you of our interest in learning of the further developments at your Bank regarding the various matters discussed at the Chairmen's Conference."

Approved unanimously.

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

"This refers to your letter of February 25, 1943, transmitting a letter dated February 20, 1943, from Mr. I. F. Freiberger, Chairman of the Board, The Cleveland Trust Company, Cleveland, Ohio, relating to the holding company affiliate relationship between his bank and The Firestone Park Trust and Savings Bank, Akron, Ohio.

"There is enclosed, for transmittal, the Board's letter of this date to Mr. Freiberger advising him that the Board has determined that The Cleveland Trust Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933. Two copies of the letter also are enclosed, one to be furnished to The Firestone Park Trust and Savings Bank and the other for your files.

"It has been noted that in the last sentence of his letter Mr. Freiberger requested, among other things, that the Board determine 'that The Firestone Park Trust and Savings Bank is not an affiliate of The Cleveland Trust Company'. The Board's action referred to above, of course, has no effect upon the affiliate relationship existing under section 2(b) of the Banking Act of 1933 and the Board can take no action which would terminate that relationship. It is doubtful, however, whether the existence of the relationship is of much concern to The Cleveland Trust Company since, in view of the manner in which it arises and the fact that the affiliate is a member bank, it appears that the only effect is to require that The Cleveland Trust

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"Company list The Firestone Park Trust and Savings Bank as an affiliate in Schedule O of its report of condition. It is suggested that in advising Mr. Freiburger concerning the Board's action with respect to the holding company affiliate relationship, you may wish to discuss this phase of the matter."

Approved unanimously, together with the following letter, referred to above, to Mr. I. F. Freiburger, Chairman of the Board of The Cleveland Trust Company, Cleveland, Ohio:

"This refers to your letter of February 20, 1943, transmitted through the Federal Reserve Bank of Cleveland, relating to the holding company affiliate relationship between The Cleveland Trust Company, Cleveland, Ohio, and The Firestone Park Trust and Savings Bank, Akron, Ohio.

"The Board understands that The Cleveland Trust Company is engaged in the general banking and trust business; that it is a holding company affiliate of The Firestone Park Trust and Savings Bank by reason of the fact that it controls more than 50 per cent of the number of shares voted in the preceding election of directors of the latter bank; that The Cleveland Trust Company, in the regular course of its trust business, holds such shares as fiduciary under various trust agreements which permit it to vote the stock; that additional shares of The Firestone Park Trust and Savings Bank are assets of trusts administered by The Cleveland Trust Company but the trustors presently are the record holders of such shares and possess the voting rights thereof; that The Cleveland Trust Company holds as fiduciary lesser portions of the shares of a number of other banks; and that The Cleveland Trust Company does not own or control any stock of, or manage or control, any bank, except as fiduciary acting in the regular course of its trust business.

"In view of these facts, the Board has determined that The Cleveland Trust Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, within the meaning of section 2(c) of the Banking Act of 1933, as amended, and, accordingly, The Cleveland Trust Company is not a holding company affiliate for any purpose other than those of section 23A of the Federal Reserve Act.

"If, however, the facts should at any time differ from those set out above to an extent which would indicate that The

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"Cleveland Trust Company might be deemed to be so engaged, this matter should again be submitted to the Board. The Board reserves the right to make a further determination at any time on the basis of the then existing facts."

Letter prepared in accordance with the action taken at the meeting of the Board on March 17, 1943, to Mr. West, Vice President of the Federal Reserve Bank of San Francisco, reading as follows:

"Reference is made to your letter of February 8, 1943, submitting information in connection with the request of the Peoples Bank, Lakewood Village, California, for approval of the plan presented for increasing capital, purchasing assets and assuming the liabilities of The First National Bank of Bellflower, Bellflower, California, and The First National Bank of Garden Grove, Garden Grove, California, removing the head office to Bellflower and establishing and maintaining branches at Lakewood Village and Garden Grove.

"The Board has carefully considered the proposed plan in the light of all the information before it and is not satisfied that it would be warranted in the exercise of the functions vested in it by applicable laws in approving the plan as presented. You are accordingly requested to advise the Peoples Bank that the Board has declined to approve the plan."

Approved unanimously.

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

"Effective April 1, 1943, telegrams dispatched to your Bank, account Regulation V loans, will be marked collect. Reimbursement for these telegrams should be requested from War Department, Navy Department, or Maritime Commission as case may be, in regular vouchers submitted by your Bank. In furnishing Board monthly with number of words sent over main line leased wires by your Bank for purpose of arriving at pro rata share of leased wire expense, please include in your word count number of words contained in these collect messages."

Approved unanimously.

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

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"As you know, the Board from time to time has referred to the directors of the Federal Reserve Banks for comment and suggestion important topics of immediate interest to the Federal Reserve System. At the meeting with the Presidents of the Federal Reserve Banks on March 2, Chairman Eccles stated that the Board and the Federal Reserve Banks should adopt a program designed to inform at least the leaders of public thought of the causes and dangers of inflation and to win the public support that will be necessary for the success of effective measures to counteract inflationary developments.

"The Board of Governors realizes that any work that it might undertake in this field would be of a character substantially different from anything that it has done in the past and that it should be undertaken only after careful consideration of all of the suggestions that can be obtained within the time available. It will be very much appreciated, therefore, if you will discuss the matter in confidence with the President and directors of your Bank and forward to the Board as promptly as possible your suggestions as to the outlines of a program and how such a program might be most expeditiously and effectively carried out in your district.

"It was our hope that the handbook prepared by the Office of War Information, a copy of which was sent to you with Chairman Eccles' letter of March 10, 1943, would be available for the use of your directors in this connection. However, as you were informed in the Board's telegram of March 11, the booklet is now being revised and, so far as we know, the revision will not be available for several weeks."

Approved unanimously.

Memorandum dated March 18, 1943, from Mr. Wingfield, Assistant General Attorney, recommending that there be published in the April issue of the Federal Reserve Bulletin, or in the May Bulletin if not available in time for publication in the April issue, the revised form of guarantee agreement under Regulation V, War Financing, as agreed to by representatives of the Board and the Services, together with the opinion which has been requested of the Comptroller of the Currency as to whether or not the agreement complies with the requirements of exception



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10 to Section 5200 of the United States Revised Statutes.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

Donald Hanson  
Vice Chairman.