A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, April 10, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman
         Mr. McKee
         Mr. Draper
         Mr. Evans
         Mr. Morrill, Secretary
         Mr. Bethea, 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 April 9, 1943, were approved unanimously.

Memorandum dated April 8, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Paul Simpson, a junior economist in that Division, be granted leave of absence without pay beginning April 12, 1943, so that he might enter active duty with the United States Naval Reserve, and that he be granted the benefits provided in the policy adopted by the Board on November 14, 1940, and amended August 20, 1941, for all employees entering military service.

Approved unanimously, with the understanding that the payment of one month's unearned salary will be at the rate of basic salary plus overtime.
Memorandum dated April 8, 1943, from Mr. Morrill, recommending, in accordance with the policy on confinement cases adopted by the Board on November 10, 1941, that, because of approaching confinement, Mrs. Sarah B. Murphy, secretary to Mr. Carpenter, Assistant Secretary, be granted leave of absence for the period May 1 through December 31, 1943, the period from 1:15 p.m. on August 25 through December 31 to be without pay, with the understanding that in accordance with the policy adopted on November 10, 1941, her reemployment will not take place automatically but only after a review of the situation by the Board upon recommendation of the Secretary.

Approved unanimously.

Telegram to Mr. John J. Shaffer, Jr., Ellendale, Louisiana, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the New Orleans Branch of the Federal Reserve Bank of Atlanta 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 Mr. N. D. Lenfestey, Vice President and Cashier of The National City Bank of New York, New York, New York, reading as follows:

"This refers to your letter of March 31, 1943 stating that under date of December 23, 1914 the Federal Reserve Board granted your bank permission to establish a sub-branch, agency or office of your Rio de Janeiro branch at Santos, Brazil, that you now have under consideration regarding your place of business in Santos as a branch and inquiring whether it is necessary to make an application
"to the Board of Governors for permission to regard your place of business in Santos as a branch.

"Section 25 of the Federal Reserve Act which authorizes the establishment of foreign branches by national banks makes no distinction between a branch and a sub-branch or agency but only provides for the establishment of branches. Our records indicate that in the very early days of the Federal Reserve System the Board granted permission for the establishment in foreign countries of branches, sub-branches, agencies and offices of national banks but it appeared that these various designations were largely for the administrative convenience of the head office in this country. However, as stated above, the law only authorizes the establishment of branches in foreign countries. Your agency at Santos, Brazil, may, therefore, be regarded as a branch and no application for permission to so regard it is necessary."

Approved unanimously.

Letter to the "Peninsula National Bank of Cedarhurst", Cedarhurst, New York, reading as follows:

"This refers to the resolution adopted on November 25, 1942, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection
"of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter prepared in accordance with the action taken at the meeting of the Board on April 6, 1943, to Mr. Bernhard Knollenberg, Senior Deputy Administrator of Lend-Lease Administration, reading as follows:

"This refers to your letter of April 3, 1943, with respect to a proposed executive order making the provisions of Executive Order No. 9112 applicable to the Office of Lend-Lease Administration and to the discussion of this subject with Messrs. Cox and Heiner of your office on April 9, 1943. The Board has received a letter from the Administrator of the War Shipping Administration, similar to that received from you, with reference to a proposed executive order making the provisions of Executive Order No. 9112 applicable to the War Shipping Administration.

"The procedure now followed in making guarantees under Executive Order No. 9112 involves the War Department, the Navy Department, the Maritime Commission, the Federal Reserve Banks and the Board of Governors. The Board feels that the inclusion of additional establishments of the Government as guaranteeing agencies on the same basis as the War Department, Navy Department and Maritime Commission would increase the administrative problems involved in operations under the present order and might impair the effectiveness of the present program. We understand that the needs of the present situation would be met merely by authorizing the Office of Lend-Lease Administration to reimburse the War Department for guarantees made by the latter and it is suggested, therefore, that the authority contained in the proposed executive order be restricted to that necessary to authorize such reimbursement, as provided in paragraph (3) of the proposed order enclosed with your letter. As indicated in the discussion on April 9, it is the Board's view that the proposed order should not authorize or contemplate the utilization of the Federal Reserve Banks as agents.

"We are also advising the Administrator of the War Shipping Administration to this effect."
"The Board of Governors has received from Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget, a letter dated April 2, 1943, requesting an expression of opinion with respect to a proposed executive order submitted with a letter from the War Shipping Administrator to the Director of the Budget under date of March 10, 1943, and for your information we are enclosing a copy of our reply."

Approved unanimously, together with the following letter, also prepared in accordance with the action taken at the meeting of the Board on April 6, 1943, to Rear Admiral Emory S. Land, Administrator of the War Shipping Administration:

"This refers to your letter of April 3, 1943, with respect to a proposed executive order making the provisions of Executive Order No. 9112 applicable to the War Shipping Administration. The Board has received a letter from the Office of Lend-Lease Administration, similar to that received from you, with reference to a proposed executive order making the provisions of Executive Order No. 9112 applicable to the Office of Lend-Lease Administration, and members of the Board have discussed this matter with Messrs. Cox and Heiner of the Office of Lend-Lease Administration.

"The procedure now followed in making guarantees under Executive Order No. 9112 involves the War Department, the Navy Department, the Maritime Commission, the Federal Reserve Banks and the Board of Governors. The Board feels that the inclusion of additional establishments of the Government as guaranteeing agencies on the same basis as the War Department, Navy Department and Maritime Commission would increase the administrative problems involved in operations under the present order and might impair the effectiveness of the present program. We understand that the needs of the present situation would be met merely by authorizing the War Shipping Administration to reimburse the Maritime Commission for guarantees made by the latter and it is suggested, therefore, that the authority contained in the proposed executive order be restricted to that necessary to authorize such reimbursement. It is the Board's view that the proposed order should not authorize or contemplate the utilization of the Federal Reserve Banks as agents."
"We are also advising the Office of Lend-Lease Administration to this effect. We understand from the representatives of that Office with whom this matter was discussed that an executive order limited along the lines indicated above would be acceptable to them and that they are preparing such a revised form of order and have been in touch with your Counsel concerning it.

"The Board of Governors has received from Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget, a letter dated April 2, 1943, requesting an expression of opinion with respect to a proposed executive order submitted with your letter of March 10, 1943, to the Director of the Budget, and for your information we are enclosing a copy of our reply."

Unanimous approval was also given to the following letter, referred to in the last paragraphs of the above letters, to Mr. F. J. Bailey, Assistant Director, Legislative Reference, Bureau of the Budget:

"This refers to your letter of April 2, 1943, addressed to Chairman Eccles, requesting an expression of opinion with respect to a proposed executive order which was transmitted to your office with a letter of March 10, 1943 from the Administrator of the War Shipping Administration and which would extend to the War Shipping Administration the authority vested in the War and Navy Departments and the United States Maritime Commission by Executive Order No. 9112 of March 26, 1942.

"The Board has received letters dated April 3, 1943, from the Administrator of the War Shipping Administration and from the Office of Lend-Lease Administration with respect to a proposed executive order which would make the provisions of Executive Order No. 9112 applicable to the War Shipping Administration and the Office of Lend-Lease Administration. For your information there are enclosed copies of these letters and of the Board's replies thereto.

"The procedure now followed in making guarantees under Executive Order No. 9112 involves the War Department, the Navy Department, the Maritime Commission, the Federal Reserve Banks and the Board of Governors. The Board feels that the inclusion of additional establishments of the Government as guaranteeing agencies on the same basis as the War Department, Navy Department and Maritime Commission would increase the administrative problems involved in operations under the present order..."
"and might impair the effectiveness of the present program. We understand that the needs of the present situation would be met merely by authorizing the Office of Lend-Lease Administration to reimburse the War Department and the War Shipping Administration to reimburse the Maritime Commission in connection with such guarantees and it is felt, therefore, that the authority contained in the proposed executive order should be restricted to that necessary to authorize such reimbursement. It is the Board's view that the proposed order should not authorize or contemplate the utilization of the Federal Reserve Banks as agents.

"For these reasons, the Board of Governors feels that the proposed executive order enclosed with your letter of April 2, 1943, should not be adopted and hopes that any executive order which may be adopted on this subject will be limited in the manner indicated above. If the proposed order is revised, the Board will appreciate an opportunity to review it in its revised form before it is presented to the President.

"Members of the Board of Governors have discussed this matter with Messrs. Cox and Heiner, of the Office of Lend-Lease Administration. We understand that an executive order limited along the lines above indicated would be acceptable to them and also that they are now preparing such a revised form of order and have been in touch with Counsel for the War Shipping Administration concerning it."

Letter to the Secretary of the Treasury, reading as follows:

"In connection with a guarantee executed by the Federal Reserve Bank of New York on behalf of the War Department pursuant to Executive Order No. 9112, the Federal Reserve Bank has recently received from the borrower to whom the guaranteed loan was made a request for photostatic copies of certain documents relating to the authority of the Federal Reserve Bank to execute the guarantee on behalf of the War Department.

"Among other documents, the borrower has requested a photostatic copy of a letter dated March 30, 1942, from Acting Secretary of the Treasury D. W. Bell, to the President of the Federal Reserve Bank of New York, designating that bank a fiscal agent of the United States for the purpose of carrying out the authority granted to the bank by or pursuant to Executive Order No. 9112.

"It is assumed that there is no objection to the furnishing of a photostatic copy of the letter above mentioned..."
"to the borrower in this particular case or to borrowers and financing institutions in other cases of this kind. However, we will appreciate your advice in this matter."

Approved unanimously, together with the following letter to Lieutenant Colonel Paul Cleveland, Chief of the Loan Section, Advance Payment and Loan Branch, Fiscal Division, War Department:

"There is enclosed a copy of a letter which we have received from Mr. Rufus J. Trimble, Assistant General Counsel, Federal Reserve Bank of New York, dated April 5, 1943, regarding the propriety of furnishing financing institutions and borrowers with copies of certain documents relating to the authority for the execution of guarantees pursuant to Executive Order No. 9112. In the present case, it appears that a request for photostatic copies of such documents has been received by the Federal Reserve Bank of New York from the Resident Counsel of General Motors Corporation.

"In order that we may advise Mr. Trimble, it will be appreciated if you will let us know whether there is any objection on the part of the War Department to the furnishing of copies of the documents referred to in Mr. Trimble's letter to General Motors Corporation or to borrowers and financing institutions in other cases of this kind."

Thereupon the meeting adjourned.

[Signature]
Chairman.

Approved:

[Signature]
Secretary.