

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

PRESENT: Mr. Eccles, Chairman
Mr. McKee
Mr. Draper

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:

Memorandum dated April 17, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that John William Taylor be appointed as an Assistant Federal Reserve Examiner on a temporary basis for an indefinite period, with basic salary at the rate of \$2,400 per annum, and with official headquarters at Minneapolis, Minnesota.

By unanimous vote, Mr. John William Taylor was appointed on a temporary basis for an indefinite period as an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of sections 25 and 25(a) of the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Minneapolis, Minnesota, and with basic salary at the rate of \$2,400 per annum, all effective as of the date upon which he enters upon the performance of his duties.

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Memorandum dated April 12, 1943, from Mr. Dreibelbis, General Attorney, recommending that John C. Baumann, an Attorney in the Legal Division, be granted leave of absence without pay beginning April 20, 1943, so that he might enter active duty with the United States Army, 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.

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

"In accordance with the request contained in your letter of April 13, 1943, the Board approves the appointment of George T. Quast, at present an assistant examiner, as an examiner for the Federal Reserve Bank of Cleveland. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta, reading as follows:

"Acknowledgment is made of your letter of April 13, 1943, advising the Board that Mr. J. E. Denmark, General Auditor, was granted a leave of absence to enter the armed services, effective at the close of business April 15, 1943, and that Mr. Winslow E. Pike was appointed Acting General Auditor, effective April 16, 1943.

"In this connection, the Board of Governors approves the payment of salary to Mr. Pike, Acting General Auditor, at his present rate of \$4,000 per annum for the period April 16 to May 31, 1943."

Approved unanimously.

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

"In view of the Executive Order issued April 8, no action can be taken with respect to the adjustments in salaries of officers of your bank as proposed in your letter of April 3, 1943, until the situation is clarified by further regulation or statements of policy. We hope, and have reason to believe, that these will be forthcoming shortly. Until there is a clarification of policy, however, it is not possible even to indicate what action the Board could or might take.

"With respect to the proposed increases in the salaries of the Managing Directors of the Los Angeles, Portland and Seattle Branches, the Board agrees that the policy of increasing the importance of the branches and the services rendered makes it highly desirable to have men in charge of a branch who have standing in the community and who can ably represent the Reserve Bank in all aspects of the work as well as operate the branch efficiently.

"However, the Board believes that the salaries to be paid to the officers in charge of the branches depend not only upon the position but also upon the abilities and qualifications of the respective individuals. It is felt, therefore, that any substantial increase in the salary of a managing director of one of your branches should be due to individual merit. That is to say, the increase should be based upon a determination that the managing officer has risen to and meets the requirements and responsibilities called for by the enlarged program, and should not be based alone upon a conception of what would be an appropriate salary for the position by reason of the increase in the importance of the branch or in the services which it renders. In this connection, it is recalled that the managing directors of your branches have served in that capacity for many years.

"Before considering the proposed increases in the salaries of the managing directors, therefore, the Board would like to have additional data in order that each case may be considered on the basis of an individual merit adjustment. It will be appreciated, therefore, if you will review the proposed increases in the salaries of the managing directors in the light of these comments and submit such further comments and supporting data as you may feel would be helpful to the Board in considering the matter."

Approved unanimously.

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

"This is in response to a letter of April 3, 1943, addressed to the Board of Governors by the Peoples Bank of Lakewood Village, a copy of which is enclosed, requesting advice regarding the Board's objection to a proposed plan of reorganization involving the Peoples Bank of Lakewood Village and two other banks.

"Each of these banks is already in existence and serving a different community. The reorganization is to be effected by the absorption of two other banks under the charter of the Peoples Bank, with additional stockholders and enlarged capitalization, and by the removal of the headquarters of the Peoples Bank to Bellflower and the conversion of the offices at Lakewood Village and Garden Grove to branches.

"It will be recalled that in granting the application of the Peoples Bank for membership in the System, the Board of Governors acted upon representations to it that the bank was organized as a bona fide local independent institution, and that it was expected to be continued as such, for the purpose of serving the needs of its community, which at that time had no bank. These representations were buttressed by assurances and agreements signed by the stockholders for the purpose of satisfying the Board that this status would be maintained.

"A plan such as is now proposed, less than a year after these assurances and agreements, is wholly beyond what was contemplated by the Board when it approved the application for membership. The execution of such a plan would depart from the concept of the bank as a local independent institution, and would materially impair or destroy the significance of these assurances and agreements.

"Please inform the Peoples Bank of Lakewood Village accordingly."

Approved unanimously, together with letters to Honorable Preston Delano and Leo T. Crowley, Comptroller of the Currency and Chairman of the Federal Deposit Insurance Corporation, respectively, transmitting copies of the above letter.

Memorandum dated April 17, 1943, from Mr. Dreibelbis, General Attorney, recommending that there be published in the May issue of the

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Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Amendments to Federal Reserve Act
War Loan Deposit Accounts

Reserves
Amendment to Regulation D

War Loan Financing
Guarantee Agreement
National Bank Loan Limitations

Foreign Funds Control
Revocation of Special Regulation Issued by
Federal Reserve Bank of San Francisco
Treasury Department Releases

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. Coulter
Chairman.