

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 10, 1943, at 11:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
Mr. McKee
Mr. Draper
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 May 8, 1943, were approved unanimously.

Memorandum of this date from Mr. Morrill, recommending, for the reasons stated in a memorandum dated today from Mr. Nelson to Files, that the services of Mrs. Ray Schwartz, a cafeteria helper in the Secretary's Office, be terminated, effective as of the close of business on May 9, 1943.

Approved unanimously.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of November 25, in reply to the Board's letter of November 18, and subsequent correspondence and discussions regarding the actions taken or contemplated by your directors in connection with the resolutions adopted by the Conference of Chairmen on October 5, 1942.

"With respect to Topic 3, 'Procedure for Reporting Indebtedness of Reserve Bank Officers and Employees', your letters of January 6 and February 11 advised as to the action taken by your Board of Directors in regard to obtaining

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"reports of indebtedness, outside business connections, and ownership of bank stocks. It is understood that requests for these reports were sent to your officers, department and division heads, members of the examining force, and members of the Auditor's staff -- a total of about 90 members of your organization. During the conference on March 3 with Governor Szymczak, which you and President Paddock attended, it was stated that the number receiving requests for the reports did not include all employees in the Money and Custody Departments. You will recall that it was the opinion of the Board's representatives that reports should be obtained from all employees in these departments.

"Although the procedure adopted at your Bank does not conform to that suggested by the Conference of Chairmen as regards paragraphs (1) and (2), in view of your comments during the conference with Governor Szymczak to the effect that you did not feel it would be desirable to change the procedure until such time as it could be reviewed again, no further questions will be raised at this time about these parts of the procedure. However, we do not appear to have received information as to the actions taken by your directors with regard to paragraphs (3), (4), and (5) of the suggested procedure, and it would be appreciated if you could advise as to the actions taken concerning these matters. Enclosed for convenient reference is a mimeographed copy of the suggested procedure entitled 'Reports of Personal Indebtedness, etc.'

"We appreciate very much the information heretofore 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. Ruml, Chairman of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of December 3, in reply to the Board's letter of November 18, regarding the actions taken or contemplated by your directors in connection with the resolutions adopted at the Conference of Chairmen on October 5, 1942.

"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 as to paragraphs (1), (2), and (3). Concerning paragraph (3), you stated:

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"It does not seem to us to be necessary or desirable to bring the Auditor of the bank into this situation, which is a delicate one from a morale and personnel standpoint. The officers, particularly, look upon the President of the bank in a different light from the Auditor, and to report their personal affairs to the President is or has become a bearable invasion of privacy."

You are familiar, of course, with the discussion on this point at the Conference, but it is our thought that the reasons advanced in that discussion 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.

"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 suggested procedure. Enclosed for convenient reference is a mimeographed copy of the suggested procedure entitled 'Reports of Personal Indebtedness, etc.'."

"We appreciate very much the information heretofore 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. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to Mr. Klages' letter of December 3, in reply to the Board's letter of November 18, regarding the actions taken by your directors on the resolutions adopted at the Conference of Chairmen on October 5, 1942.

"With respect to Topic 2, 'Relationship of Reserve Bank Auditors', Mr. Klages advised that no recent change had been made 'in the relationship between the auditor and the directors and officers of this bank because the procedure which is being followed is substantially as outlined by Mr. Brainard at the meeting of Chairmen'. Although specific reference was not made in Mr. Klages' letter to each of the eight points in the Statement of Principles, a copy of which is enclosed, relative to the relationship of Reserve Bank Auditors, it is

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"assumed that your Board of Directors is in accord with the various principles and procedures suggested and that they will be recognized and maintained in your Bank. If we are incorrect in this assumption, it will be appreciated if you will advise us.

"With regard to Topic 3, 'Procedure for Reporting Indebtedness of Reserve Bank Officers and Employees', the procedure described in Mr. Klages' letter differs somewhat from that suggested in the Chairmen's resolution and the information otherwise available in our files does not indicate that all of the points agreed upon at the Conference are being followed at your Bank. 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 it would be helpful if you could advise further as to the actions taken by your directors with respect to each of the various numbered paragraphs of the suggested procedure. With respect to paragraphs (4) and (5), Mr. Klages stated that the senior officer in charge of bank examinations had been instructed to report to the Board of Directors any indebtedness of any officer or employee of any Federal Reserve Bank to any member bank in the Fourth District disclosed by examination reports, with a copy of the report to the Chairman to be sent to the President. The suggested procedure contemplated that information appearing in reports of examination of member banks in your District regarding indebtedness of persons identified as officers or employees of other Reserve Banks would be reported confidentially to the Vice President in Charge of Examinations of the Federal Reserve Bank concerned. We had understood that your instructions on this matter would be revised, but we have not been informed as to any change.

"We appreciate very much the information heretofore 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:

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"This will acknowledge your letter of April 26, in reply to my letter of March 19, 1943, with further reference to the actions of your directors with respect to the resolutions adopted at the Conference of Chairmen on October 5.

"It has been noted that the Statement of Principles relative to the Relationship of Reserve Bank Auditors was adopted formally by your directors, and we were particularly interested in your specific comments regarding the eight points in the Statement.

"With regard to the Procedure for Reporting Indebtedness of Reserve Bank Officers and Employees, you stated that at your April meeting your Auditor was authorized and directed 'to review all annual reports of indebtedness of this bank's officers and of all employees holding responsible positions and to review examination reports'. (Underscoring supplied.) It is assumed, of course, that the words underscored, herein, were not intended to suggest that the Auditor would review examination reports, but relate to his review of information obtained from reports of examination by the Bank Examination Department, and reported confidentially to the President, regarding indebtedness of persons identified in reports of examination as officers or employees of the Federal Reserve Bank of Dallas.

"It has been noted also that the only difference in the procedure adopted by your directors and that suggested by the resolution adopted by the Conference of Chairmen is that at your Bank the reports of indebtedness of officers are submitted to the Chairman of the Board and the reports of the employees are submitted to the President. You called attention, however, to the fact that all of the reports are to be reviewed by the General Auditor and that the Chairman of the Board will confer with the President in case anything of importance develops in the indebtedness reports of the employees. In the circumstances, the Board sees no objection to your directors handling the matter in this manner.

"We appreciate the information given us about these matters, and shall be pleased to have any further comments you may care to offer as mentioned in the last paragraph of your letter."

Approved unanimously.

Letters to the "Walnutport State Bank", Walnutport, Pennsylvania, and "The Farmers State Bank of Stryker", Stryker, Ohio, reading as follows:

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"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. C. C. C.
Chairman.