

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, June 5, 1943, at 11:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
 Mr. Szymczak
 Mr. McKee
 Mr. Draper
 Mr. Evans

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 June 4, 1943, were approved unanimously.

Bond in the amount of \$10,000, executed under date of June 2, 1943, by Adolph C. Wienert as Federal Reserve Agent's Representative at the Baltimore Branch of the Federal Reserve Bank of Richmond.

Approved unanimously.

Telegram to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Retel June 3. Board approves employment law firm of Mayer Meyer Austrian & Platt and attorney Robert N. Holt of Chicago as special counsel in tax matter on terms stated in your telegram."

Approved unanimously.

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

"In accordance with the request contained in Mr. Diercks' letter of June 2, 1943, the Board approves the designation of Eugene Irving Burke, Jr., as a special assistant examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

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Letter to Mr. Meyer, Assistant Cashier of the Federal Reserve Bank of Chicago, 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 Chicago and the Detroit Branch, as submitted with your letter of May 28, 1943."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"Referring to your letter of May 28, 1943, the Board of Governors approves payment of salaries to the officers of the Bank for the period June 1, 1943 to May 31, 1944, inclusive, at the following rates as fixed by the board of directors:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
J. N. Peyton	President	\$25,000
O. S. Powell	First Vice President and Secretary of the Board	15,000
E. W. Swanson	Vice President	10,000
H. I. Ziemer	Vice President	9,000
A. R. Upgren	Vice President and Economist	8,500
O. R. Preston	Vice President	8,000
A. R. Mills	Cashier and Secretary	7,000
H. C. Core	Personnel Officer	7,000
E. G. McConnell	Assistant Vice President	7,000
A. B. Larson	Assistant Cashier	6,000
A. R. Larson	Assistant Cashier	5,500
Wm. E. Peterson	Assistant Cashier	5,500
W. H. Turner	Assistant Cashier	5,000
M. E. Lysen	Operating Research Officer	5,000
O. H. Ohnstad	Auditor	5,000
R. D. Baker	Assistant Cashier	4,500
Thos. H. Hodgson	Assistant Counsel	5,500*
<u>Helena Branch</u>		
R. E. Towle	Managing Director	8,000
C. J. Larson	Assistant Manager	5,000

*Now on military leave.
 "In a letter dated May 31, 1943, the Board advised you of the approval of salary of \$12,000 to Sigurd Ueland as Vice President and Counsel effective July 1, 1943. The Board likewise approves the payment of retainer to Mr. Ueland as Counsel, for the month of June at the annual rate of \$9,000 per year, the same rate as heretofore."

Approved unanimously.

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Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank of Kansas City for the year beginning June 1, 1943, at the following rates, which, with three exceptions, are the rates fixed by the Board of Directors as reported in your letter of May 22.

"The Board has given careful consideration to the comments in your letters of May 17 and May 22 regarding the question of whether the proposed increases in the salaries of Messrs. Leedy, Koppang, and Phillips are permissible under the salary stabilization regulations. However, the Board has been advised by Counsel that under the salary stabilization regulations it can approve merit increases for officers which fall within the general salary pattern of a Federal Reserve Bank but that increases in salaries which do not fall within the pattern and which prior to the Executive Order of April 8 would have required certification to the Joint Committee, are not permissible at this time. Inasmuch as the pattern for the salaries of the President and First Vice President was established by the Board's letter of July 29, 1941, it is believed that an increase in Mr. Leedy's salary is now not permissible and that Mr. Koppang's salary cannot be increased beyond \$15,000. The present salary of Mr. Phillips is the maximum which has been paid for that position, and it is believed that an increase in his salary is not permissible at this time under the existing salary regulations. Accordingly, the salaries of Mr. Leedy and Mr. Phillips have been approved in the same amount as that received during the past year, and the salary of Mr. Koppang has been approved at \$15,000, the maximum established by the Board's letter of July 29, 1941.

"The salaries as approved are as follows:

<u>Federal Reserve Bank of Kansas City</u>		
<u>Name</u>	<u>Title of Position</u>	<u>Salary approved</u>
H. G. Leedy	President	\$20,000
H. O. Koppang	First Vice President	15,000
Raymond W. Hall	Vice President, General Counsel and Secretary	12,000
D. W. Woolley	Vice President and Cashier	9,700
G. A. Gregory	Assistant Vice President	6,600
John Phillips, Jr.	Assistant Vice President	8,000
M. W. E. Park	Assistant Cashier	6,500
E. U. Sherman	Assistant Cashier	4,500
E. P. Tyner	Assistant Cashier	7,200
T. Bruce Robb	Mgr., Research and Statistical Dept.	6,000
C. E. Sandy	Auditor	5,000

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<u>"Name (Cont'd.)</u>	<u>Title of Position</u>	<u>Salary approved</u>
	<u>Denver Branch</u>	
Jos. E. Olson	Managing Director	\$10,000
S. A. Brown	Cashier	5,400
H. L. Stempel	Assistant Cashier	4,200
	<u>Oklahoma City Branch</u>	
G. H. Pipkin	Managing Director	10,000
R. L. Mathes	Cashier	5,500
L. B. Davenport	Assistant Cashier	4,200
	<u>Omaha Branch</u>	
L. H. Earhart	Managing Director	10,000
O. P. Cordill	Cashier	6,000
U. S. Berry	Assistant Cashier	4,200"

Approved unanimously.

Telegram to Mr. George W. Stocking, University of Texas, Austin, Texas, reading as follows:

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

Approved unanimously.

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

"We are pleased to learn from your letters of May 24 of the action of your Board of Directors with respect to the indebtedness reports procedure suggested by the Conference of Chairmen. The Board of Governors appreciates the fine spirit of cooperation manifested.

"We wish to assure you that there is no desire on the part of the Board of Governors to burden the Chairmen of the Reserve Banks with unnecessary details and it was not believed that the procedure adopted by the Chairmen's Conference would be unduly burdensome. Accordingly, should you find that the procedure requires an unwarranted amount of time or otherwise proves burdensome to you as Chairman, it will be appreciated if you will bring the matter to our attention with any suggestions you may care to offer as to a more appropriate procedure."

Approved unanimously.

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Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Reference is made to your letter of May 20, 1943 in response to our inquiry of May 10 regarding the actions taken by your directors on the resolutions adopted at the Conference of Chairmen on October 5, 1942.

"We are pleased to learn that your Board of Directors is in accord with the Statement of Principles regarding the relationship of Reserve Bank Auditors. It is noted that the procedure for reporting indebtedness of Reserve Bank officers and employees at your Bank conforms substantially to that outlined in Z-883, and that the only variation is that your procedure contemplates that reports of officers and key employees be submitted to the President, who, in turn, submits them with the report of his own personal indebtedness, etc. to the Chairman and a committee of the directors. In the circumstances, no question will be raised at this time relative to this portion of the procedure.

"Regarding your comment that the indebtedness reports are available to the Auditor along with any other available information with respect to indebtedness of individuals who submitted reports, it is assumed, of course, that the Auditor's review of such reports is handled in conformity with paragraph (3) of the suggested procedure."

Approved unanimously.

Letter to Mr. Brainard, Chairman of the Federal Reserve Bank of Cleveland, reading as follows:

"Mr. Szymczak has brought to the attention of the members of the Board your letter of June 3, 1943, with respect to the request of the members of the executive committee of the Chairmen's Conference that the Board prepare for the use of the directors of the Federal Reserve Banks and their branches a statement containing a clarification of the duties and responsibilities of the chairmen and the directors of Federal Reserve Banks and the directors of branches of Federal Reserve Banks and their relationship to the Board of Governors. It is noted that it is the desire of the executive committee that the statement include a clarification of the responsibilities and relationships as between the boards of directors of the Federal Reserve Banks and the directors of their branches.

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"The Board will be pleased to comply with the request of the executive committee, and you may be assured that the statement will be completed as promptly as possible. As soon as a draft of the statement is ready we shall be pleased to send it to you for any comments or suggestions that you or the other members of the executive committee might wish to make."

Approved unanimously.

Letter to the board of directors of "The Chardon Savings Bank Company", Chardon, Ohio, 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 Cleveland.

Approved unanimously, together with a letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of 'The Chardon Savings Bank Company', Chardon, Ohio, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of Ohio for his information.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16 of the report of examination for membership."

Letter to the board of directors of "The Saline Savings Bank", Saline, Michigan, 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

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System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago.

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

Letter to "The First National Bank of Miller", Miller, South Dakota, reading as follows:

"This refers to the resolution adopted on March 23, 1943, 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 to Mr. Wallace, Counsel of the Federal Reserve Bank of Richmond, reading as follows:

"This refers to your letter of April 15, 1943, relative to the assessment on the Commercial National Bank of Kinston by the Commissioner of Banks of North Carolina of an annual trust license fee of \$200. We are now in receipt of a letter

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"from Mr. Haywood Weeks, Cashier of the Commercial National Bank of Kinston, a copy of which is enclosed, purporting to authorize the Board to make available to the Commissioner of Banks any and all information that may be necessary to his office for the supervision of the bank's trust department in order to relieve the bank from examination charges.

"Presumably the type of information Mr. Weeks has in mind is that contained in reports of examination. Since examinations of national banks are conducted by the Comptroller of the Currency, a copy of Mr. Weeks' letter has been referred to that office. We have also sent the Comptroller copies of the other correspondence relating to this matter. It is understood that the Comptroller's office will communicate with the Commercial National Bank of Kinston regarding the matter and ascertain the basis of Mr. Weeks' request, and will also ascertain the position of other national banks in North Carolina in this matter, particularly in view of the responsibilities of the Comptroller's office for the supervision of national banks and the provisions of Section 11(k) of the Federal Reserve Act with respect to reports of examination of trust departments.

"It is understood that when this information is received by the Comptroller's office, we will be advised. We shall be glad to pass on to you the information which we may receive, for whatever use it may be to you in handling applications from national banks for fiduciary powers and matters of this nature in the future.

"We are not answering the bank's letter directly. It is suggested that you advise the bank that, in view of the nature of the information involved, the matter has been referred to the Comptroller of the Currency. A copy of our letter referring the matter to the Comptroller of the Currency is also enclosed for your information and files."

Approved unanimously, together with
the following letter to Honorable Preston
Delano, Comptroller of the Currency:

"There is enclosed a copy of a letter dated May 11, 1943, from Mr. Haywood Weeks, Cashier, Commercial National Bank of Kinston, North Carolina, purporting to authorize the Board to make available to the Commissioner of Banks of North Carolina certain information concerning the bank. In view of the nature of the information and the other questions involved, it is understood that your office will handle the matter.

"The Board of Governors granted the Commercial National Bank of Kinston fiduciary powers in the latter part of March 1943 and subsequently certain questions were covered by

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"correspondence with the bank as to a license fee requested by the Commissioner of Banks of North Carolina. For your further information, the following copies of correspondence are enclosed: The member bank's letter of April 3, 1943, relating to a trust license fee charged the bank by the Commissioner of Banks of North Carolina; the Board's letter of April 9, 1943, to the member bank; the Board's letter of April 9, 1943, to Mr. Mercer, Vice President of the Federal Reserve Bank of Richmond; a letter dated April 13, 1943, from the Commissioner of Banks of North Carolina; and a letter dated April 15, 1943, from counsel for the Federal Reserve Bank of Richmond to Mr. Weeks.

"In view of the statement contained in the enclosed copy of letter from the Commissioner of Banks of North Carolina that national banks of North Carolina have been paying the \$200 annual license fee for a number of years, it is understood that your office desires to ascertain additional facts and give further consideration to the matter before replying to the national bank's letter, particularly in view of the responsibilities of the Comptroller's Office for the supervision of national banks and the provisions of Section 11(k) of the Federal Reserve Act with respect to reports of examination of trust departments. We would appreciate receiving information which you develop relating to the matter of payment of license fees by national banks and a copy of your reply to the letter of the Commercial National Bank of Kinston for our guidance in considering applications from national banks for fiduciary powers in the future.

"We have not replied to the bank's letter but have requested the Federal Reserve Bank of Richmond to advise the bank that the letter has been referred to your office for consideration and reply."

Letter to Mr. Olson, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"This refers to your letter of May 6, 1943, with which you enclosed a copy of a letter from Mr. Mark A. Brown, Vice President, Harris Trust and Savings Bank, Chicago, Illinois.

"Copies of Mr. Brown's letter were furnished to the War Department, Navy Department, and Maritime Commission, and we are now in receipt of answers to Mr. Brown's questions from Colonel Mechem of the War Department and Mr. Coolidge of the Navy Department, copies of which are enclosed herewith for your information."

Approved unanimously.

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

"Referring Board's letter May 29, 1943, regarding charges for cashing and collecting checks, it was not contemplated that the Federal Reserve Banks would at this time consult with or request information from their member banks or others with respect to this matter. In the event that you should feel it necessary in any instance to ask for information with respect to the practices of banks in this connection, it is hoped that you can do so without mentioning the Board's consideration of the matter, and thus avoid bringing about a general discussion of the question at this time."

Approved unanimously.

Letter to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"This will acknowledge receipt of your letter of May 29 with respect to the immediate transfer of \$1,500,000 from Undivided Profits to Reserves for Contingencies. As a reason for this you refer to the vast increase in the volume of securities held by your Bank in safekeeping for member banks and in special custody as fiscal agent of the Treasury Department; also to the probable action to be taken in the near future on self-insurance.

"While the Board appreciates the reasons for this proposed action and agrees that it is advisable to build up adequate reserves to take care of possible future losses, in the absence of compelling reasons to the contrary, it would prefer to have such reserves set up when the books are closed at the end of the year, which, as you know, has been the practice for a number of years. This would seem to be adequate since undistributed net earnings, as well as reserves and surplus, are available for use in meeting such losses as occur.

"It is understood that the draft of the report on the substitution of the share-the-loss program for purchased insurance contains certain recommendations for the establishment of adequate reserves for the purpose. With this the Board is, of course, in agreement. As soon as the report of the Insurance Committee of the Federal Reserve Banks is finally acted upon, it is the Board's intention to write a letter to the Federal Reserve Banks with respect to the procedure to be followed in establishing the reserves. If thought

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"desirable, such reserves might be set up at the time the new insurance plan becomes effective.

"Unless, therefore, there are compelling reasons which are not apparent to the Board, it is suggested that the setting up of additional reserves be deferred until the end of the year or until final action is taken on such report as may be submitted by the Insurance Committee."

Approved unanimously.

Letter to Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, reading as follows:

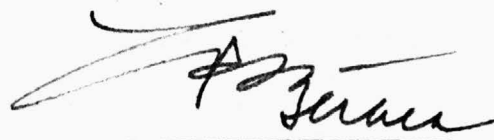
"At the completion of the examination of the Federal Reserve Bank of Kansas City, made as of April 15, 1943, by the Board's examiners, a copy of the report of examination was left for your information and that of the directors. A copy was also furnished President Leedy.

"The Board will appreciate advice that the report has been considered by the board of directors and any comments you may care to offer regarding discussions with respect to the examination or as to action taken or to be taken as a result of the examination will also be appreciated.

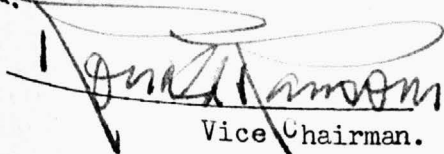
"We understand that Mr. Millard discussed with you the relationship of the auditor with the board of directors, having in mind the statement of principles adopted at the Chairmen's Conference in October 1942, and suggested the desirability of the appointment of an audit committee of directors to advise and counsel more closely with the bank's auditor particularly since the auditor has so recently taken over his new position. The Board will be pleased to learn what action has been taken in respect to this suggestion."

Approved unanimously.

Thereupon the meeting adjourned.


Assistant Secretary.

Approved:


Vice Chairman.