

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Friday, June 18, 1943, at 11:00 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
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 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 16, 1943, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on June 17, 1943, were approved and the actions recorded therein were ratified unanimously.

Telegrams to Mr. Brome, Assistant Secretary of the Federal Reserve Bank of New York, Messrs. McCreedy and Hays, Secretaries of the Federal Reserve Banks of Philadelphia and Cleveland, respectively, Mr. Dillard, Vice President of the Federal Reserve Bank of Chicago, Mr. Stewart, Secretary of the Federal Reserve Bank of St. Louis, Mr. Caldwell, Chairman of the Federal Reserve Bank of Kansas City, and Mr. Hale, Vice President of the Federal Reserve Bank of San Francisco, stating that the Board approves the establishment without change by the Federal Reserve Banks of St. Louis and San Francisco on June 15 and by the Federal Reserve Banks of New York, Philadelphia, Cleveland, Chicago,

6/18/43

-2-

Kansas City, and San Francisco on June 17, 1943, of the rates of discount and purchase in their existing schedules.

Approved unanimously.

Memorandum dated June 17, 1943, from Mr. Smead, Chief of the Division of Bank Operations, recommending, with the concurrence of Mr. Dreibelbis, General Attorney, that Miss Margaret Muehlhaus, a stenographer in the Legal Division, be transferred to the Division of Bank Operations as secretary to Mr. Van Fossen, with an increase in her basic salary from \$1,920 to \$2,100 per annum, effective June 21, 1943.

Approved unanimously.

Memorandum dated June 17, 1943, from Mr. Morrill, recommending (1) that the temporary appointments of Mrs. Sallie Farrow and Mrs. Harriet FitzGerald as cafeteria helpers in the Secretary's Office be extended for additional periods of not to exceed 60 days each, with no change in their present salaries at the rate of \$1,080 per annum, effective as of the expiration of their present appointments at the close of business on June 21 and 29, 1943, respectively, and (2) that the salary of John Simms, a cafeteria helper, be increased from \$1,080 to \$1,200 per annum, effective July 1, 1943.

Approved unanimously.

Memorandum dated June 15, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, submitting the resignation of Julius Margolis as a junior economist in that Division, to become effective upon the expiration of his accumulated annual leave following

6/18/43

-3-

discontinuance of active service, and recommending that the resignation be accepted as of that time. It was contemplated that Mr. Margolis would leave the Board's employ at the close of business on June 12, 1943.

The resignation was accepted.

Letter to the board of directors of "The Medaryville State Bank", Medaryville, Indiana, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, 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 Chicago:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$715.05, as shown in the report of examination of such bank as of May 8, 1943, made by an examiner for the Federal Reserve Bank of Chicago."

The letter also contained the following special comment:

"It has been noted that the bank has outstanding common capital stock of \$25,000 which is in excess of the figure at which the stock is shown on the books of the bank. In this connection the Board feels that the bank should, as soon as practicable, take such action within its power as may be necessary to cause the common stock to be shown at its par value. Such adjustments may be effected through conservation of earnings of the bank, through reduction of its outstanding common capital stock, if and when such a reduction may be accomplished under the applicable provisions of State law, or through such other means as may be within the power of the bank.

"It is understood that the bank wishes to discontinue its trust department and that steps are to be taken shortly to have the one account now being handled transferred to another institution. In the circumstances, therefore, the application has been approved on the same basis as if fiduciary powers were not being exercised and attention is invited to the fact that if the bank should desire in the future to exercise such powers, it will be necessary under condition of membership numbered 1 to obtain permission of the Board before exercising them."

6/18/43

-4-

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

"The Board of Governors of the Federal Reserve System approves the application of 'The Medaryville State Bank', Medaryville, Indiana, 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 Director, Department of Financial Institutions for the State of Indiana for his information.

"The examiner calls attention to the fact that the number of directors prescribed by the by-laws of the bank is seven whereas there are eight directors serving, and it is said that the by-laws will be amended at the next meeting of the board of directors to increase the prescribed number to eight. However, it is noted that the bank's articles of association provide that there shall be six directors and it is our understanding that the Indiana statutes provide that, while the 'exact number of directors to serve for each year shall be determined, from time to time, in such manner as the by-laws may prescribe', the number shall not exceed the 'maximum number fixed in the articles of incorporation.' This matter is mentioned with the view that, if our understanding is correct, the bank's attention should be called to this situation so that appropriate corrective action may be taken when practicable.

"With respect to the class B debentures issued by the bank, it is noted that paragraph 9 of the form accompanying the application provides, among other things, that no payment of interest shall be made unless the bank's surplus fund shall amount to 20 per cent of its capital stock. As the bank has no surplus, the payment of \$300 interest on these debentures as of August, 1942 was apparently improper and it is suggested that this matter be considered by your counsel and brought to the bank's attention."

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

"Reference is made to Mr. Diercks' letter of June 7, 1943, and enclosures, relative to the consolidation, effected June 1, 1943, of The Citizens State Bank of South

6/18/43

-5-

"Haven and The First State Bank of South Haven, both of South Haven, Michigan, under the charter of the first named bank and under the title Bank of South Haven.

"On the basis of the information submitted, the Board concurs in the opinion of counsel for the Reserve Bank that the consolidation has not resulted in any change in the general character of the business of The Citizens State Bank of South Haven or the scope of its corporate powers within the meaning of condition of membership numbered 4 to which that bank is subject. The Board, therefore, interposes no objection to the transaction under the condition of membership."

Approved unanimously.

Letter to "The National Park Bank in Livingston", Livingston, Montana, reading as follows:

"This refers to the resolution adopted on April 20, 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 never actually accepted or undertaken the exercise of any trust, 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 for the signature of Mr. Ransom to the Presidents of all the Federal Reserve Banks, reading as follows:

6/18/43

-6-

"Enclosed is a copy of a recent document prepared by the Office of War Information, entitled 'Information Program on Economic Stabilization to Keep Down the Cost of Living'. As the preface indicates, it is intended as a basic information outline and guide in furtherance of the Government's program to combat inflation. It is not meant for general public circulation, but rather as a source book for educational work with the public. It was prepared with a view to making it as factual as possible and to avoid criticisms that were directed against the previous booklet, entitled 'Battle Stations for All', which was sent to you and subsequently to all member banks.

"The Office of War Information asked us whether we thought it would be advisable to distribute this new document to all member banks, as was done with the 'Battle Stations for All'. We replied that it seemed preferable to ask the Presidents of the Federal Reserve Banks to what extent they might wish to make use of the pamphlet in their respective districts, and to furnish the Reserve Banks with copies to be distributed by them as they deemed best. Accordingly, it would be appreciated if you would advise us as promptly as possible, preferably by wire, of the number which you would care to have for distribution, not only within the Bank but to others in your District who have been or can be enlisted in the educational work that so urgently needs to be done. I understand that the Office of War Information is revising this document so that the statistics used in it will be as current as possible, and that they will furnish us with such copies as are requested by the Presidents of the Federal Reserve Banks."

Approved unanimously.

Thereupon the meeting adjourned.

Orestes Morice  
Secretary.

Approved:

Donald R. Brown  
Vice Chairman.