

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, July 29, 1943, at 11:00 a.m.

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

Mr. Morrill, 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 July 28, 1943, were approved unanimously.

Memorandum dated July 23, 1943, from Mr. Morrill, recommending that the following increases in basic annual salaries of employees in the Secretary's Office be approved, effective August 1, 1943:

<u>Name</u>	<u>Designation</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
<u>Secretarial and Administrative</u>			
Frances B. Florence	Stenographer	\$1,620	\$1,740
Franklin Taylor	Supply Clerk	1,500	1,620
<u>Building Operation and Maintenance</u>			
John F. Horrigan	Guard	1,560	1,620
Kay Scott	Clerk	1,260	1,380
Nannie Pearson	Elevator Operator	1,200	1,320
Michael L. Jamison	Laborer	1,200	1,320
<u>Service Functions</u>			
Mary Seagle	Teletype Operator	1,800	1,920
Ralph Sherrod	Junior Operator (Duplicating Devices)	1,440	1,560
Robert H. Jones	Junior Mail Clerk	1,500	1,620
Benjamin Berry	Junior Mail Clerk	1,500	1,560

Approved unanimously.

7/29/43

-2-

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

"The Board of Governors approves the payment of salary to Mr. Louis G. Meyer, Assistant Cashier, at the rate of \$7,500 per annum and to Mr. Clarence T. Laibly, Assistant Cashier, at the rate of \$5,000 per annum, for the period June 1, 1943 to March 31, 1944, the rates as fixed by your directors.

"The question as to whether an increase in the salary of Mr. Chalfont, Manager of the Detroit Branch, could be considered as falling within the salary pattern of the bank and be approved by the Board without certification to the Joint Committee was discussed informally with a representative of the office of the Commissioner of Internal Revenue. He was strongly of the opinion that an increase in Mr. Chalfont's salary would have to be certified, and also suggested that in this case it would be well to submit the matter to the office of the Commissioner of Internal Revenue prior to certification to ascertain whether approval would be consistent with the policy under the salary stabilization regulations.

"The Board is prepared to approve an increase in Mr. Chalfont's salary from \$10,000 to \$11,000 per annum, for the period June 1, 1943 to March 31, 1944, upon receipt of an appropriate certificate provided the office of the Commissioner of Internal Revenue, with which the Board would take the matter up informally, indicates that approval would be consistent with the policy under the salary stabilization regulations."

Approved unanimously.

Letter to the board of directors of "The Rossford Savings Bank", Rossford, 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.

7/29/43

-3-

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 Rossford Savings Bank', Rossford, 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 shown on page 16 of the report of examination for membership."

Letter to the board of directors of the "Mountain Trust Bank", Roanoke, Virginia, stating that, subject to conditions of membership numbered 1 to 6 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 Richmond:

- "7. Prior to admission to membership, such bank shall cause its wholly owned affiliate, the Virginia Investment Corporation, to dispose of any shares of the bank's own stock which may be owned by the company."

The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust

7/29/43

-4-

"business, such as the power to guarantee the payment of bonds. Also in this connection it has been noted that the bank has two wholly owned affiliates, the Jefferson-Lorraine Corporation and the Virginia Investment Corporation, which have general corporate powers and no doubt are empowered to engage in activities outside the banking and trust fields. Attention is invited to the fact that if the bank, directly or through the affiliates, should desire to exercise any powers not actually exercised by the bank at the time of its admission to membership, it will be necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before exercising them. It is assumed, of course, that there has been no change in the scope of corporate powers exercised by the bank or the affiliates since the date of the bank's application for membership.

"With further reference to the activities of the subsidiary companies, it has been noted that they have engaged in the business of issuing mortgage bonds to the public and the Virginia Investment Corporation has purchased the bank's own stock and other issues of stocks. As you have been advised by the Federal Reserve Bank of Richmond, the provisions of condition of membership numbered 3 will prohibit the issuance of mortgage bonds, either directly or indirectly through an affiliate, after the bank's admission to membership. In this connection attention is also invited to the provisions of Section 5136 of the Revised Statutes, made applicable to State member banks by Section 9 of the Federal Reserve Act, with respect to the purchase by a member bank of corporate stocks and it is felt that the purchase of stocks by the wholly owned affiliate is, in effect, the same as if purchased by the bank."

Approved unanimously, together with
the following letter to Mr. Leach, President
of the Federal Reserve Bank of Richmond:

"The Board of Governors of the Federal Reserve System approves the application of the 'Mountain Trust Bank', Roanoke, Virginia, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the

7/29/43

-5-

"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 Commissioner of Banking for the Commonwealth of Virginia for his information.

"Enclosed is a letter approving the retention and operation of the branch at Vinton, Virginia, which you are requested to forward to the Board of Directors of the applicant bank. Enclosed also is a copy of the letter for your files.

"According to the report of examination for membership, \$4,400 par value of the bank's common stock is owned by the Virginia Investment Corporation, a wholly owned affiliate. As pointed out in the letter to the applicant bank, the ownership of the stock by the company is, in effect, the same as if owned by the bank, and, accordingly, a condition has been prescribed to require the stock to be disposed of prior to admission of the bank to membership."

Unanimous approval was also given to the following additional letter to the board of directors of the "Mountain Trust Bank":

"In connection with the application for membership in the Federal Reserve System, the Board of Governors of the Federal Reserve System approves the retention and operation by the Mountain Trust Bank, Roanoke, Virginia, after admission to membership, of the branch at Vinton, Virginia, the establishment of such branch having been approved by the State Corporation Commission of the Commonwealth of Virginia effective as of April 11, 1932."

Letter to Mr. Drinnen, First Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of July 22, 1943, submitting the request of the First Trust Company of Philadelphia, Philadelphia, Pennsylvania, for permission, under the provisions of condition of membership numbered 7 to which the member bank is subject, to acquire, through

7/29/43

-6-

"the dissolution of the Colonial Finance Company, a wholly owned affiliate, and to retain certain stocks and other assets which were owned by the affiliate on December 14, 1935, the date on which the trust company was admitted to membership in the Federal Reserve System.

"In view of your recommendation, and since it is understood that the trust company will not acquire any stocks acquired by the affiliate after the trust company was admitted to membership, the Board will interpose no objection to the completion of the transaction as proposed. As the provisions of condition of membership numbered 7 do not apply to stocks held by the trust company and the affiliate at the time the trust company was admitted to membership, it does not appear that actual approval of the transaction under the provisions of the condition is required."

Approved unanimously.

Letter to Honorable Sheridan Downey, United States Senate,
reading as follows:

"Your letter of July 14, 1943, addressed to the Commissioner of the Federal Home Loan Bank Administration, enclosing a letter received by you from Mr. F. W. Matting, of the International Brotherhood of Boiler Makers, Iron Shipbuilders and Helpers, has been referred to the Board of Governors for reply. Mr. Matting protests the practice of banks and business houses in California in making certain charges for the cashing of pay checks.

"We know of no provision of Federal law relating to the making of such charges by business houses as distinguished from banks. With reference to the making of such charges by banks, the matter is one which involves a determination of certain questions as to the interpretation of the provisions of the first paragraph of section 13 and of the fourteenth paragraph of section 16 of the Federal Reserve Act. Both of these paragraphs of the law relate to the general subject of charges which may be made by banks in connection with checks, but their meaning in relation to one another is not clear. In

7/29/43

-7-

"addition to these legal questions, the subject involves some perplexing problems of a practical character. All of these questions are now being carefully reviewed by the Board of Governors, and the Federal Reserve Banks have been asked for their views with respect to the practical aspects of the matter. When the replies have been received from the Banks, the Board will endeavor to reach a conclusion in the matter as soon as possible.

"We are retaining a copy of Mr. Matting's letter and are returning the original to you."

Approved unanimously.

Thereupon the meeting adjourned.

Chester M. Mowbray
Secretary.

Approved:

1. Fraser
Vice Chairman.