

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

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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 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 August 18, 1943, were approved unanimously.

Memorandum dated August 16, 1943, from Mr. Vest, Assistant General Attorney, recommending that Jerome W. Shay, an Attorney in the Legal Division, be granted leave of absence without pay beginning August 20, 1943, so that he might enter active duty with the United States Naval Reserve, 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 or naval service, including, pursuant to his election, the payment of one month's unearned salary.

Approved unanimously, with the understanding that the payment of one month's unearned salary would be at the rate of basic salary plus overtime.

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Memorandum dated August 18, 1943, from Mr. Morrill, recommending that the temporary appointment of Mrs. Sallie K. Farrow as a cafeteria helper in the Secretary's Office be extended for the period August 21 to 25, 1943, inclusive, at the end of which time her services will terminate.

Approved unanimously.

Letter to the board of directors of the "Peoples State Bank", Rocksprings, Texas, 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 Dallas.

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

Letter to the "Farmers and Merchants Trust Company of Chambersburg", Chambersburg, Pennsylvania, reading as follows:

"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.

Letter to Mr. Turman, Counsel of the Federal Reserve Bank of Atlanta, reading as follows:

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"This refers to your letter of August 6, 1943, with enclosures, addressed to Mr. Wingfield, Assistant General Attorney, requesting an opinion by the Board on the question whether investments by a State member bank in bonds of the Alabama Bridge Finance Corporation are exempt from the 10 per cent limitation set out in Paragraph Seventh of Section 5136 of the Revised Statutes. The Board concurs in your conclusion that a State member bank may not invest in such bonds in an amount in excess of 10 per cent of its capital stock and surplus.

"In advising the member bank of the Board's opinion, it is suggested that the apparent intent and purpose of this exemption to Section 5136 be called to the bank's attention. The Board construes this intention as exempting obligations issued by governing bodies actually having the sovereign's power of taxation or powers derived therefrom, including the incidental power to compel payment, and which are not payable only from the proceeds of certain specific taxes or revenues. Thus, for example, bonds issued by the State itself but payable exclusively from the proceeds of gasoline taxes would not be 'general obligations' of the State.

"In the instant case, the funds for the payment of the Bridge bonds are derived from certain portions of the proceeds of gasoline taxes, or from the collection of tolls upon default in the payment of such bonds; they are not obligations of a political subdivision which has the sovereign's power of general taxation and may compel payment. It is believed that an explanation of this situation will dispose of the matter without the necessity for consideration of the position taken by the member bank's attorney that a definition of the term 'political subdivision' does not require that it be 'vested with a direct power to tax or compel payment' but that such power may be exercised by one unit through another or other units.

"This case has been discussed informally with a member of the staff of the Office of the Comptroller of the Currency who agrees with the Board's views as outlined above.

"As requested, copies of the two Statutes passed at the recent session of the Alabama Legislature are returned herewith."

Approved unanimously.

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Letter to Mr. Joseph G. Myerson, Assistant General Attorney of Universal C.I.T. Credit Corporation, New York, New York, reading as follows:

"This refers to your letter of August 5, 1943, regarding enforcement of compliance with Regulation W by banks and loan companies.

"In order to avoid unnecessary duplication of examinations by supervisory authorities, the Board of Governors has made certain arrangements with other supervisory agencies under which they will cooperate in checking for compliance with the provisions of Regulation W on the part of lending institutions coming under their supervision. Of course, these arrangements do not and were not intended to affect the responsibility of the Board of Governors for enforcement of compliance with the Regulation by any institution subject to its provisions.

"It is possible that the manager to whom your letter refers may have received an incorrect impression from the officers of the Federal Reserve Bank with whom he discussed the matter and who apparently were endeavoring to describe the cooperative arrangement which has been made with other supervisory authorities. In these circumstances it is suggested that you send to us the name of the Federal Reserve Bank with which the matter was discussed so that we may furnish to the officers of the Bank copies of our correspondence with you. It is also suggested that your manager communicate with the officers of the Federal Reserve Bank again for the purpose of clarifying any misunderstanding that may have occurred, and if we can be of any further assistance to you we shall, of course, be pleased to do so."

Approved unanimously.

Letter to Mr. Leland, Chairman of the Federal Reserve Bank of Chicago, reading as follows:

"At the completion of the examination of the Federal Reserve Bank of Chicago, made as of May 29, 1943, by the Board's examiners, a copy of the report of examination was left for your information and that of the

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"directors. A copy was also furnished President Young.

"The Board will appreciate advice that the report has been considered by the board of directors. 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."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.