

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, August 21, 1943, at 11:00 a.m.

PRESENT: Mr. Szymczak
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:

Memorandum dated August 19, 1943, from Mr. Smead, Chief of the Division of Bank Operations, recommending that Mrs. Dorothy W. Hobson be appointed as a clerk in that Division on a temporary basis for a period of not to exceed three months, with basic salary at the rate of \$1,440 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed satisfactorily the usual physical examination and subject to a satisfactory check of her references, with the understanding that if her services prove satisfactory during the period of her temporary appointment she will be recommended for a permanent appointment.

Approved unanimously.

Memorandum of this date from Mr. Paulger, Chief of the Division of Examinations, submitting the resignation of William S. Day as a messenger in that Division, and recommending that it be accepted

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as of the close of business on August 26, 1943.

The resignation was accepted.

Letter to the board of directors of the "Irwin-Union Trust Company", Columbus, Indiana, 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 Chicago:

- "7. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$2,005.48, as shown in the report of examination of such bank as of July 12, 1943, made by an examiner for the Federal Reserve Bank of Chicago."

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 'Irwin-Union Trust Company', Columbus, 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.

"It is understood that in the State of Indiana trust funds deposited in the banking department of a bank are preferred claims in the event of liquidation of the bank. Therefore, you are authorized, in accordance with the general authorization previously granted by the Board, to waive compliance with condition of membership numbered 6 until further notice.

"It is assumed that you will follow the matter of the bank's providing adequate supervision of the trust department and bringing the records and accounting methods of the department into conformity with accepted standards."

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

"This refers to your letter of July 26, 1943, with regard to the applicability of section 22(g) of the Federal Reserve Act to the vice presidents at the various branches of the County Trust Company of Maryland, Cambridge, Maryland.

"It is noted that the vice presidents are vested with authority 'to execute in the name of the Company deeds, releases of mortgages and releases of judgments' but do not have any authority to sign checks or drafts or to perform any other executive functions. It appears from the memorandum submitted with your letter that counsel for your Bank has given careful consideration to the question and has reached the conclusion, with which you concur, that the vice presidents in question should be regarded as executive officers within the meaning of section 22(g). Counsel for your Bank apparently feels that there is no distinction between the case presented and the Board's ruling as contained in its letter of December 11, 1940 - S-242, which held that a vice president who was authorized, in the absence of the president of the bank, to sign deeds, checks, drafts and other documents, should be regarded as an executive officer.

"On the basis of the facts contained in your letter and enclosures, the question presented appears to be an extremely close one, and, in the circumstances, the Board is not inclined to differ with the position taken by you and your counsel in the matter since you are in a better position than the Board to judge the facts.

"There is one other point, however, which might be considered in connection with this matter which is not discussed in your letter or enclosures. In the last report of examination it appears that all the vice presidents are members of the advisory boards at the respective branches. Section 8 of Article II of the by-laws of the Bank provides, within certain limitations as to amounts to any one borrower, that 'the duties of the advisory boards of the several branch or member banks shall consist of passing on discounts or loans to be made or accepted by the Company through its several branch or member banks'. These powers seem to be somewhat analagous to at least some of the powers of a discount committee, and therefore you might wish to consider, as an additional factor, whether the Board's ruling of September 23, 1941, S-353, holding that an officer of a member bank who is also serving as a director and a member of the discount committee, is to be considered an executive officer except where he serves in rotation with other directors, is applicable to the present case.

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"As stated above, the Board is not inclined to differ with your views in this matter. In order to keep informed of the matter, however, it will be appreciated if you will furnish us with copies of any further communications on this subject with the County Trust Company."

Approved unanimously.

Letter to the Bureau of Supplies and Accounts of the Navy Department, reading as follows:

"Acknowledgment is made of your letter of August 16, 1943, reference No. A17-1/L10-5(4)(OLP-X), in which you refer to your letter of March 16, 1943, and bring to our attention another shortage (\$10) in a Federal Reserve Bank shipment of currency received by Lieutenant (jg) W. B. Catchpole, SC, USNR. We have transmitted a copy of your letter to the Federal Reserve Bank of San Francisco.

"With respect to the previous shortage you reported, we requested all the Federal Reserve Banks to advise us of their practice as to honoring claims for shortages in packages of currency shipped to member banks and subsequently turned over to Navy Department disbursing officers without piece verification. Replies from the Banks indicated variations, and subsequently the matter was referred to a System committee of the Presidents' Conference of the Federal Reserve Banks with a view to developing a uniform policy. We have forwarded a copy of your August 16 letter to the chairman of the committee and will communicate with you further as soon as the committee submits its report."

Approved unanimously, together with the following letter to Mr. Day, President of the Federal Reserve Bank of San Francisco:

"Referring further to our letter of March 24, 1943, and enclosures, concerning a shortage in a shipment of currency made by the Los Angeles Branch to the First National Trust and Savings Bank of San Diego and turned over to a Navy Department disbursing officer without verification, there is enclosed a copy of a letter from Admiral Young reporting a similar case, together with our reply thereto.

"It is our understanding that after discussion of this subject at the recent Presidents' Conference held in Chicago, the matter was referred to the Committee on Operations for

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"study and report. Accordingly a copy of Admiral Young's letter of August 16 is being forwarded to Mr. Hugh Leach, Chairman of this Committee."

Memorandum dated August 18, 1943, from Mr. Smead, Chief of the Division of Bank Operations, recommending that the Board approve the draft attached to the memorandum of Form F.R. 105 for use in obtaining reports of condition of State member banks on the forthcoming fall call, and stating that the proposed form would be the same as that used on June 30, 1943, with the following exceptions:

1. Schedules A and B, classifying loans and investments, would be omitted; and
2. The present caption of Item 2 of Schedule E would be revised from "Deposits of United States Government (including \$ _____ war loan account)" to "Deposits of U. S. Govt: War Loan and Series E bond accts. \$ _____ Other \$ _____".

The memorandum also stated that the Comptroller of the Currency would use a similar form in the fall call of that office and that the revisions were satisfactory to the Federal Deposit Insurance Corporation.

Also attached to the memorandum was a proposed letter to the Presidents of all the Federal Reserve Banks transmitting forms and instructions in connection with the fall call.

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morley
Secretary.

Approved:

Mrs. J. J. [Signature]
member.