

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 1, 1943, at 11:00 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Ransom, Vice Chairman  
Mr. Szymczak  
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 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 31, 1943, were approved unanimously.

Memorandum dated August 31, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, with the concurrence of the Division of Examinations, that Miss Lillian H. Schiller, a stenographer in the latter Division, be transferred to the Division of Research and Statistics, with no change in her present basic salary at the rate of \$1,620 per annum, effective September 1, 1943.

Approved unanimously.

Memorandum dated August 31, 1943, from Mr. Leonard, Director of the Division of Personnel Administration, recommending that, effective September 1, 1943, (1) William H. Drake be transferred from Governor Draper's office to the Division of Examinations as a messenger, with no

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change in his present basic salary at the rate of \$1,560 per annum, and  
(2) Michael L. Jamison, a laborer in the Secretary's Office, be transferred to Governor Draper's office as messenger on a temporary basis for an indefinite period, with an increase in his basic salary from \$1,320 to \$1,380 per annum. The memorandum stated that these changes had been discussed with, and were agreeable to, Governor Draper, the Division of Examinations, and the Secretary's Office.

Approved unanimously.

Letter prepared for the signature of Mr. Dreibelbis, General Attorney, to Mr. Neth L. Leachman, in care of Mr. Agnew, General Counsel of the Federal Reserve Bank of San Francisco, reading as follows:

"This is with reference to our previous discussion and in confirmation of the employment as of August 1, 1943, of your firm in connection with the current examination of Trans-america Corporation now being conducted by the Board and the preparation of certain material involving a determination of whether there has been a violation of the application for a voting permit and voting permit agreement executed by the corporation.

"It is understood that all fee bills for services and bills for actual expenses will be fair and reasonable and subject to the approval of the Board of Governors whose decision will be final.

"In connection with bills for expenses I am enclosing voucher forms which I suggest be filled out each month and submitted to the Board. These should cover actual reasonable travel expenses while you are out of your office and should be submitted in duplicate. Since the forms are not adaptable to traveling expenses as such it will be satisfactory to make a reasonable itemization on a plain sheet of paper and attach it to the form."

Approved unanimously, with the understanding that the appropriate items in the budget for the Legal Division would be increased by whatever amounts were necessary

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to cover the legal fees and other expenses referred to in the letter, and that the vouchers submitted by the firm for actual expenses, as distinguished from fees for services, would be paid upon advice from the General Attorney that the vouchers as submitted were fair and reasonable.

Letter to Mr. Rice, Vice President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the changes in the personnel classification plan of the Federal Reserve Bank of New York submitted with your letter of August 12, 1943, with the subsequent revisions submitted with Mr. Douglas' letter of August 27, 1943.

"In order to preserve the numerical sequence of the pages in the plan, a new page has been prepared indicating that pages 164 to 168 have been removed, due to the transfer of certain positions from the Collection Department to the Check Department. This page will be placed in the Board's copy of your personnel classification plan and a duplicate copy is enclosed for your use."

Approved unanimously.

Letter to the board of directors of the "Farmers and Merchants Trust Company", Greenville, Pennsylvania, stating that, subject to conditions of membership numbered 1 to 6 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.

The letter also contained the following special comment:

"It appears that the bank may possess certain powers which are not being exercised and which are not necessarily required in the conduct of a banking and trust business, such as the power to act as surety in certain circumstances. Attention is invited to the fact that if the bank desires to exercise any powers not actually exercised at the time of

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"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. In this connection, the Board understands that there has been no change in the scope of corporate powers exercised by the bank since the date of its application for membership."

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 'Farmers and Merchants Trust Company', Greenville, Pennsylvania, 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 Secretary of Banking for the Commonwealth of Pennsylvania for his information.

"It has been noted that all of the losses estimated in the report of examination for membership were eliminated at the close of the examination except an accumulation of cash shortages amounting to \$431.29 and for which provision was to be made at the end of the bank's accounting period. Therefore, the usual condition of membership regarding the elimination of losses has not been prescribed.

"The bank applied for membership in 1933 but, due to an unsatisfactory asset condition and the criticisms of the management for its speculative tendencies and unsound practices, the application was not approved by the Board. The then principal executive officer has been replaced and the bank is now reported in fairly satisfactory asset condition; however, as brought out in the current report of examination for membership and your presentation memorandum, the management is still not impressive and much of the improvement now apparent in the asset condition was effected only recently, after a conference between the supervisory authorities, the active management and directors following the examination as of February 6, 1943. It is assumed, of course, that you will follow the case closely until the corrective program adopted at the recent conference has been completed, including necessary improvement with respect to supervision and operating practices of the trust department, and until you are satisfied that there will not be a reversion to the management policies which caused past unsatisfactory conditions.

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"It is assumed also 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 Honorable Jesse H. Jones, Secretary of Commerce, reading as follows:

"This refers to our letter of August 3, 1943, and your reply of the same date granting permission for representatives of the Board to review certain files of the Reconstruction Finance Corporation relating to loans made by the Reconstruction Finance Corporation to Bank of America, Bankitaly Mortgage Company, and Pacific Coast Mortgage Company. A review of these files indicates that there may be additional information relating to these loans in the files of the Federal Reserve Bank of San Francisco acting as Custodian and in the files of the Agency of the Reconstruction Finance Corporation at San Francisco which would be helpful to the Board. It will be appreciated, therefore, if the Board may have your permission for its representatives to review these files at San Francisco.

"Any information which may be obtained by the Board from these files will be maintained in confidence by the Board and will not be released without your consent."

Approved unanimously.

Letter to the Comptroller of the Currency, reading as follows:

"It is respectfully requested that you place an order with the Bureau of Engraving and Printing, supplementing the order of June 15, 1943, for printing of \$20,040,000 of Federal Reserve notes of the 1934 series for the Federal Reserve Bank of Boston in the \$5 denomination."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Mowbray  
Secretary.

Approved:

W. S. C. C. C.  
Chairman.