

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, September 4, 1943, at 11:00 a.m.

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

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 September 3, 1943, were approved unanimously.

Memorandum dated September 1, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that Miss Audrey L. Moye be appointed as a stenographer 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, with the understanding (1) that if anything derogatory should develop in the investigation of her references her services may be terminated immediately and (2) that if her services prove satisfactory during her temporary appointment she will be recommended for a permanent appointment.

Approved unanimously.

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Memorandum dated August 31, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending, (1) on the advice of her physician, that Mrs. Nancy B. Kelly, secretary to Mr. Stark, Assistant Director of the Division, be granted leave of absence without pay for such time as may be necessary, not to exceed three months from September 1, 1943, to clear up an asthmatic condition, and (2) that the Board continue to make its contributions to the retirement system on Mrs. Kelly's behalf during her absence provided she continues her own contributions for the same period. The memorandum stated that Mrs. Kelly had been away from the office since July 30 on sick leave, and suggested that the period July 30 to August 10 be charged to accumulated and accrued sick leave (leaving one day of sick leave to her credit), that August 11 to August 31 be charged to accumulated and accrued annual leave, and that leave for the period beginning September 1 be charged to leave without pay.

Approved unanimously.

Memorandum of this date from Mr. Carpenter, submitting the resignation of Miss Mary Elizabeth Kielkopf as a junior file clerk in the Secretary's Office, to become effective as of the close of business on September 13, 1943, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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

"In accordance with the request contained in your

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"letter of August 31, 1943, the Board approves the designations of the following as special assistant examiners for the Federal Reserve Bank of Cleveland:

| | |
|---------------|---------------------------------|
| Charles Curro | W. L. Edelen |
| George Frede | Walter Kuhl |
| J. B. Walsh | Ralph Hein |
| "The names of | |
| Howard Marsh | Richard Oettinger |
| Arnold Motz | Walter Swedersky (Smerdeski) |

have been removed from the roster of special assistant examiners."

Approved unanimously.

Letter to Mr. Laning, Vice President and Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

"This refers to your letter of August 18, 1943, stating that consideration is being given to the discontinuance of payment of supplemental compensation to employees of your bank and inquiring whether, in view of the provisions of Executive Order No. 9250, your Bank may discontinue the payment of such supplemental compensation.

"So far as the law and regulations relating to salary stabilization are concerned, your Bank may discontinue the payment of supplemental compensation within the limits of the following provisions of the Salary Stabilization Regulation of October 27, 1942:

'Sec. 4001.7 Decreases in salaries of less than \$5,000. -- In the case of a salary rate existing as of the close of October 3, 1942, under which an employee is paid a salary of less than \$5,000 per annum for any particular work, no decrease shall be made by the employer below the highest salary rate paid for such work between January 1, 1942, and September 15, 1942, unless to correct gross inequities or to aid in the effective prosecution of the war. Any decrease in such salary rate after October 3, 1942, shall be considered in contravention of the Act and the regulations, rulings, or orders promulgated thereunder if such decrease is made prior to the approval of the Board or the Commissioner, as the case may be.

'Sec. 4001.8. Decreases in salaries of over \$5,000. -- In the case of a salary rate existing as of the close of October 3, 1942, under which

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"an employee is paid a salary of \$5,000 or more per annum, no decrease in such rate made by the employer shall be considered in contravention of the Act and the regulations promulgated thereunder (see section 5(b) of the Act); provided, however, that if by virtue of such decrease the new salary paid to the employee is less than \$5,000 per annum, then the validity of such decrease below \$5,000 shall be determined under the provisions of section 4001.7 of these regulations."

"Section 5(b) of the Act reads as follows:

'Nothing in this Act shall be construed to prevent the reduction by any private employer of the salary of any of his employees which is at the rate of \$5,000 or more per annum.'

"Since, as indicated in the notice to officers and employees of your Bank dated June 1, 1943, enclosed with your letter, that overtime payments are computed on basic salary plus the monthly amount of supplemental compensation, it is assumed that supplemental compensation is a part of the rate of salary received by employees of your Bank. In the circumstances, any action discontinuing the payment of supplemental compensation within the limits stated above would require prior approval of the Board of Governors and would have to be certified to the Joint Committee on Salaries and Wages as provided in General Order No. 19 of the National War Labor Board.

"This reply relates solely to the legal question involved and does not undertake to raise or discuss any questions of policy which might be involved in a discontinuance of payments of supplemental compensation."

Approved unanimously.

Letter to Mr. Woolley, Vice President and Cashier of the Federal Reserve Bank of Kansas City, reading as follows:

"Reference is made to your letter of August 25 to Mr. Paulger regarding the proposed reemployment of Winfrey B. Aker, who recently received his discharge from the Army. As per your request, the Board approves the reappointment of Mr. Aker as an assistant examiner, provided, however, that he is reemployed by the Reserve Bank within 30 days following the date of this approval letter.

"Please advise us whether or not Mr. Aker is reemployed and, if so, the effective date of his appointment as an assistant examiner."

Approved unanimously.

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Letter to the board of directors of the "State Bank of Howards Grove", Howards Grove (P. O. - R. #1, Sheboygan, Wisconsin), 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 Chicago.

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

Memorandum dated September 1, 1943, from Mr. Smead, Chief of the Division of Bank Operations, referring to the Board's letter of July 3, 1943, to the Presidents of all the Federal Reserve Banks in which they were requested to review the classification of member banks for electoral purposes and to advise the Board of any changes they would recommend. The memorandum recommended, for the reasons stated therein, that changes in the classifications of member banks in the Cleveland and Atlanta districts be approved as set forth in letters to the respective Banks, quoted below, and that no changes be made in the classifications of member banks in the remaining districts.

Letter to Mr. Fleming, President of the Federal Reserve Bank of Cleveland:

"Referring to your letter of August 5, 1943, the Board of Governors has changed the classification of member banks for the purpose of electing Class A and Class B directors of your Bank as suggested in your letter, so that Group 1 will consist of banks with a combined capital and surplus exceeding \$999,999, Group 2 of banks with combined capital and surplus of \$200,001 to \$999,999, and Group 3 of banks with combined capital and surplus of less than \$200,001."

Letter to Mr. McLarin, President of the Federal Reserve Bank of Atlanta:

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"Referring to your letter of August 16, 1943, the Board of Governors has changed the classification of member banks for the purpose of electing Class A and Class B directors of your Bank as suggested in your letter, so that Group 1 will consist of banks with combined capital and surplus of \$800,000 and over, Group 2 of banks with combined capital and surplus of \$200,000 to \$799,999, and Group 3 of banks with combined capital and surplus of less than \$200,000."

Approved unanimously.

Letter to Mr. James A. Treanor, Jr., Director of the Trading and Exchange Division, Securities and Exchange Commission, Philadelphia, Pennsylvania, reading as follows:

"This refers to Mr. Orrin C. Knudsen's letter of August 31, 1943, regarding the application of Shawmut Association, Boston, Massachusetts, to withdraw its listing on the Boston Stock Exchange. The letter requests information concerning the annual reports, interim statements of condition, and reports of examination of holding company affiliates under the legislation administered by the Board, together with blank copies of any forms which the affiliates must use or follow in connection with such reports or statements.

"For your information, there are enclosed copies of the items discussed below:

Form FR 437 - Annual Report of Holding Company Affiliate to Board of Governors of the Federal Reserve System.

The Board requests an annual report in this form from each holding company affiliate which holds a general voting permit issued by the Board pursuant to section 5144 of the Revised Statutes. The holding company affiliate furnishes, as a part of its annual report to the Board, a copy of the annual report prepared for or distributed to its shareholders for the fiscal year covered by the annual report to the Board.

Forms FR 220, FR 220a, and FR 220b. These forms are, respectively, the forms for report of an affiliate or holding company affiliate of a bank which is a member of the Federal Reserve System, the publisher's copy of such report, and the instructions for preparation of the reports. Attention is directed to the terms of the waiver of requirement for reports of affiliates set forth on Form FR 220b, in accordance with section 21 of the Federal Reserve Act. It will be noted that the waiver of reports does not apply to the published reports of 'holding company affiliates' as distinguished

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"from 'affiliates'. These forms are used by the Board in obtaining reports of affiliates and holding company affiliates of State banks which are members of the Federal Reserve System, pursuant to section 9 of the Federal Reserve Act. Substantially the same forms, and a waiver of reports containing the same terms, are used by the Comptroller of the Currency in obtaining reports of affiliates and holding company affiliates of national banks, pursuant to the provisions of section 5211 of the Revised Statutes and section 21 of the Federal Reserve Act.

Forms P-1 through P-6. Form P-1 is the form for application of a holding company affiliate for a voting permit under authority of section 5144, Revised Statutes, and Forms P-2 through P-6 are the printed forms for exhibits accompanying such application. Paragraph numbered 1 of the application for voting permit (Form P-1) contains, as required by section 5144 of the Revised Statutes, provision for examination of the holding company affiliate by examiners duly authorized to examine banks with which it is affiliated. As you probably know, the report of examination of a holding company affiliate is not a form filled out by the holding company but is a report prepared by the examiner, showing information obtained from the records and books of the holding company affiliate and affiliated organizations, from officers and employees of the holding company affiliate, and from other sources.

Regulation P of the Board of Governors of the Federal Reserve System. This is the Board's regulation on holding company affiliates and voting permits, based upon and issued pursuant to various provisions of section 5144 of the Revised Statutes and of the Federal Reserve Act.

Annual Reports of the Board for 1935 and 1936. At pages 95 - 98 of the 1935 report, there is discussed the original form of agreement required by the Board to be executed by holding company affiliates as a condition to the granting of general voting permits. A modified form of such agreement is discussed at pages 81 - 83 of the 1936 report. Both the original and the modified form of this agreement contain a general provision that the management of the holding company affiliate shall be conducted under sound policies governing its financial and other operations, including statements issued relating thereto.

"The letter requested advice also as to which of the forms or reports filed with the Board by holding company affiliates are published, or made available to the public, and

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"which are filed confidentially, and, with regard to the latter, information as to the rule, regulation or section of the statute which provides for confidential treatment. Form 220a, the report of an affiliate or holding company affiliate of a State member bank, and the similar form used by the Comptroller of the Currency for reports of an affiliate or holding company affiliate of a national bank, are reports which are required by section 9 of the Federal Reserve Act and section 5211 of the Revised Statutes, respectively, to be published by the banks under the same conditions as govern their own published condition reports.

"The annual reports of holding company affiliates to the Board on Form FR 437 are not published or made available to the public by the Board. These reports are requested by the Board for the purpose of obtaining information for the Board and the Federal Reserve banks which is deemed necessary for use by the Federal Reserve System in the discharge of its responsibilities for regulation and supervision of holding company affiliates of banks.

"The reports of examination of holding company affiliates also are not published or made available to the public by the Board. As you are no doubt aware, reports of examination made by examiners for bank supervisory authorities are generally regarded as confidential, largely because of the nature and source of much of the information they contain. Such reports of examination are governmental documents and are the property of the government agency for which the examination is conducted. Although there is no specific statutory provision declaring that reports of examination must be treated as confidential, they are so regarded on the basis of administrative interpretation of various provisions of law which imply confidential treatment in the ordinary course of affairs. In this regard, you may be interested in the provision of section 9 of the Federal Reserve Act to the effect that copies of reports of examination of State member banks may, in the discretion of the Board, be furnished to the State authorities having supervision of such banks, to officers, directors or receivers of such banks, and to any other proper persons; also, the provision of section 21 of the Federal Reserve Act empowering the Comptroller of the Currency, after giving notice to the bank or affiliate, to publish the report of examination of a national bank or affiliate which fails to comply, to his satisfaction and within a specified period, with his recommendations or suggestions based on such examination; and the provisions of section 22(b) of the Federal Reserve Act limiting the disclosure by examiners of the names of borrowers or the collateral for loans of a member bank or insured bank."

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Approved unanimously, together with the following letter to Mr. McRae, Chief Examiner at the Federal Reserve Bank of Boston:

"For your information, there are enclosed copies of an exchange of correspondence between the Securities and Exchange Commission and the Board regarding the application of Shawmut Association, Boston, Massachusetts, to withdraw its stock from listing on the Boston Stock Exchange, together with a copy of a file memorandum regarding a telephone conversation between a member of the Board's staff and a member of the staff of the Securities and Exchange Commission.

"It is our understanding that, for the purpose of observing the proceedings, a representative of your bank will attend the hearing on Shawmut Association's application, to be held at the offices of the Securities and Exchange Commission in Boston on September 8, 1943."

Letter to Mr. Davis, President of the Federal Reserve Bank of St. Louis, reading as follows:

"This refers to your letter of August 24, 1943, and its enclosures, with reference to the cashing of time certificates of deposit for customers who wish to buy war bonds.

"There has been no change in the situation in this matter since the Board's telegram to Mr. Hitt of April 15, 1943, replying to his wire of April 13, 1943. However, at that time we brought copies of the exchanged telegrams to the attention of the Treasury, and we are sending copies of your letter of August 24 and its enclosures, together with a copy of this reply, to Under Secretary Bell for his information."

Approved unanimously.

Memorandum dated September 1, 1943, from Messrs. Smead, Wyatt, and Vest, Chief of the Division of Bank Operations, General Counsel, and Assistant General Attorney, respectively, stating that all of the Federal Reserve Banks and Federal Reserve Agents had approved the plan for securing Federal Reserve notes by pledges of participations in direct obligations of the United States in the System open market account which had previously been approved by the Board and transmitted to them with the

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Board's letter of July 19, 1943, and submitting a proposed letter to the Federal Reserve Agents and the Presidents of all the Federal Reserve Banks which advised them that the plan would become effective on Friday, September 17, 1943, enclosed the text of messages to be used in instituting the plan, and advised of the adoption of certain code words for use in the operation of the plan. Also attached to the memorandum was a proposed telegram to the Federal Reserve Agents and the Presidents of all the Federal Reserve Banks advising them that the letter was being dispatched.

Approved unanimously.

Memorandum dated August 29, 1943, from Mr. Paulger, Chief of the Division of Examinations, requesting that, because no other accommodations were procurable at the time and in view of the time limit, the Board approve the payment of additional expenditures by him during the period July 19 to August 9, 1943, covering the difference in price of a bedroom and of a compartment on an extra fare train from Chicago to Barstow, California, and from Los Angeles to Chicago, and of a compartment from Chicago to Washington. The memorandum was submitted to the Board with a recommendation by Mr. Bethea that the voucher as submitted by Mr. Paulger be approved for payment.

Approved unanimously.

Memorandum dated September 1, 1943, from Mr. Paulger, Chief of the Division of Examinations, recommending that, because no other accommodations were procurable at the time and it was necessary for them to be in San Francisco at the earliest possible date, the Board approve the

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payment of an additional expenditure of \$16.25 during the period July 17 to 21, 1943, by Messrs. Cagle and Andrew N. Thompson, Assistant Chief of the Division of Examinations and Federal Reserve Examiner, respectively, covering the difference in price of the accommodations to which they would be entitled under the Board's travel regulations and of a compartment from Washington to Chicago and a drawing room from Chicago to San Francisco.

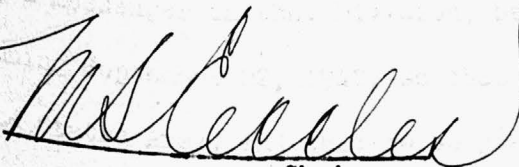
Approved unanimously.

Thereupon the meeting adjourned.



Assistant Secretary.

Approved:



Chairman.