

A meeting of the Board of Governors of the Federal Reserve System with the Presidents of the Federal Reserve Banks was held in the offices of the Board in Washington on Tuesday, October 19, 1943, at 10:15 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
Mr. Thurston, Special Assistant to the
Chairman
Mr. Smead, Chief of the Division of Bank
Operations
Mr. Parry, Chief of the Division of
Security Loans
Mr. Dreibelbis, General Attorney
Mr. Leonard, Director of the Division
of Personnel Administration
Mr. Thomas, Assistant Director of the
Division of Research and Statistics
Mr. Pollard, Assistant Chief of the
Division of Examinations

Messrs. Paddock, Sproul, Williams, Leach,
McLarin, Young, Davis, Peyton, Leedy,
Gilbert, and Day, Presidents of the
Federal Reserve Banks of Boston, New
York, Philadelphia, Richmond, Atlanta,
Chicago, St. Louis, Minneapolis, Kansas
City, Dallas, and San Francisco, re-
spectively

Messrs. Hays and Bryan, First Vice Presidents
of the Federal Reserve Banks of Cleveland
and Atlanta, respectively

Mr. Sienkiewicz, Secretary of the Presidents'
Conference

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Mr. Upgren, Vice President of the Federal Reserve Bank of Minneapolis

Mr. Robb, Manager of the Research and Statistical Department at the Federal Reserve Bank of Kansas City, and Mr. Wheeler, Director of Research at the Federal Reserve Bank of San Francisco

Mr. Day stated that a meeting of the Presidents' Conference was held in New York on October 15 and 16, 1943, at which time a meeting of the Board of Trustees of the Retirement System of the Federal Reserve Banks was also held with the Presidents of all the Federal Reserve Banks attending and participating, and that at the latter meeting the following actions were taken:

1. The reorganization plan of the Retirement System as approved by the Presidents' Conference was accepted and approved by the Board of Trustees of the Retirement System;
2. The proposed rules and regulations governing the management and operation of the Retirement System were accepted and approved;
3. The proposed amendments to the rules and regulations to provide for Board of Governors Plan for retirement of the Board's employees were accepted and approved; and
4. The following officers of the Board of Trustees of the Retirement System were elected:

Chairman - - - - -	Chester C. Davis
Vice Chairman - - - -	William R. Milford
Treasurer - - - - -	H. A. Bilby
Secretary - - - - -	Mrs. Valerie R. Frank
Assistant Secretary -	William O. Hume

Members of the Executive Committee were elected as follows:

Allan Sproul	M. S. Szymczak
Hugh Leach	William D. Gentry
Chester C. Davis	

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It was also stated that a letter had been received by the Board from the Secretary of the Board of Trustees advising of these actions.

Mr. McKee inquired whether any action was necessary by the Board at this meeting, to which Chairman Eccles replied in the negative.

Mr. Gilbert pointed out that no date had been set upon which the changes in the Retirement System would become effective, and Mr. Sproul said that they were to become effective only after the required additional payments by the Reserve Banks and the Board had been made.

Mr. Day then stated that the following actions had been taken by the Presidents' Conference with respect to the report of the Conference Committee on Insurance:

1. Moved and seconded that the Conference, in agreement with the opinion of the majority of the members of the Insurance Committee, disapprove that portion of the insurance plan which provides for discontinuance of blanket bond insurance. Voted and passed (unanimously approved).
2. Moved and seconded that the Conference, in agreement with the opinion of the majority of the members of the Insurance Committee, disapprove that portion of the insurance plan which provides for discontinuance of registered mail and express insurance. Motion lost (by a vote of seven to five).
3. Moved and seconded that the plan submitted by the Insurance Committee for insuring registered mail be approved and accepted: Provided, (1) that the officers and directors of the Reserve Banks are fully protected against the consequences in the case of ultra vires action; (2) that the Board of Governors gives an unqualified opinion as to the legality of the plan under both Federal and State laws; (3) that

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the method of distribution of losses be subject to review; and (4) that that portion of the report which relates to the absorption of any losses in excess of \$25,000 also be subject to review. Voted and passed (by a vote of seven to five).

4. Voted that, if the inter-insurance plan submitted by the Insurance Committee is finally accepted and approved, the effective date of its operation be considered and recommended by the Insurance Committee.

These actions were discussed in the light of the consideration which had been given by the Federal Reserve Banks and the Board over a period of three years or more to the adoption of a comprehensive program of self-insurance, the position taken by the Board that a plan should be put into effect which would cover the principal risks of the Federal Reserve Banks which in the past had been covered by purchased insurance, the legal questions that had been raised from time to time, and the difficulty of getting an agreement by the directors of the Banks, the Presidents, and the Board of Governors on such a technical matter in which there was room for wide differences of opinion.

During the course of this discussion it was suggested that the meeting go into an executive session. This suggestion was agreed to, whereupon everyone withdrew from the meeting with the exception of the members of the Board, the Presidents of the Federal Reserve Banks, and First Vice President Hays (who attended in the absence of President Fleming).

At the conclusion of the executive session at 4:30 p.m., Messrs.

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Day and Sproul reported to Mr. Sienkiewicz as Secretary of the Presidents' Conference and Mr. Morrill as Secretary of the Board of Governors as follows:

On the Retirement System, the Presidents' Conference reported the approval of the Presidents' Conference Plan for the Retirement System and the approval of the Board's provisions for setting up its own plan for its own employees, and that the Retirement System would service that function. Mr. Sproul stated that there was a discussion of a possible liberalization proposal with respect to supplemental payments for employees retiring before age 65 at the request of the Banks, and that it was understood that the Presidents' Conference would make additional representations to the Board of Governors on that matter for the purpose of getting a supplemental authorization.

The insurance report was completely discussed and it has now gone back to the Presidents for further consideration. It was understood that it would be referred to the Insurance Committee, that the matter of a legal opinion from the Board's counsel would be taken up by the Board, and that the matter of the adoption of the whole program would be taken up by the President of each of the Federal Reserve Banks with his board of directors in the light of the vote of seven to five at the Presidents' Conference for the adoption of the Insurance Committee plan.

Regulation N, Relations with Foreign Banks and Bankers, was discussed, and it was understood that the Board would give it further consideration in the light of the discussion. Mr. Sproul stated that he would send to the Board a copy of the report of the legal subcommittee for the use of the Board in considering matters of phraseology and detail.

Chairman Eccles informed the Presidents regarding the survey that had been made by Professor Schultz of the research work of the Federal Reserve System and gave to each of the Presidents a copy of the report of this survey, following which there was a general discussion.

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Thereupon the meeting adjourned.

Whester Morrie
Secretary.

Approved:

W. Steeles
Chairman.