A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, November 4, 1943, at 4:30 P.M.

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

Mr. Morrill, Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman
Mr. Dreibelbis, General Attorney

Mr. McKee stated that the Board had received today a letter dated November 2, 1943, from First Vice President Clerk of the Federal Reserve Bank of San Francisco with which he enclosed a letter dated November 1, 1943, addressed to Chairman Grady by Carl F. Wente, Senior Vice President of the Bank of America National Trust and Savings Association, which read as follows:

"Bank of America National Trust and Savings Association acknowledges receipt of a circular letter of the Federal Reserve Bank of San Francisco advising it of the election of directors to be held between November 16 and December 1, 1943, and of a requirement that nominations be in on or before November 2, 1943. In said circular Bank of America National Trust and Savings Association appears as one of the banks entitled to nominate one Class A director. I wish to advise you in this connection that although the circular states that a form and special envelope for the nomination are enclosed, such form and envelope were not enclosed. On inquiry from one of the Vice Presidents of the Federal Reserve Bank it was explained that the nomination form and special envelope were omitted by reason of a ruling of the Board of Governors of the Federal Reserve System subsequent to the
examination of Transamerica Corporation in 1940 to the effect that Transamerica Corporation was a holding company affiliate of Bank of America National Trust and Savings Association, and that Transamerica Corporation had selected the First Trust and Savings Bank of Pasadena pursuant to the provisions of law limiting the right to participate in the election of directors to one bank, in the event of more than one member bank being affiliated with the same holding company affiliate.

"Upon my inability to reach you by telephone on Friday, October 29, I reviewed the foregoing with Mr. Ira Clerk in a telephone conversation. As a result thereof a nomination form was furnished and is voted by the Secretary of this bank, Mr. Hugo A. Steinnmeyer, pursuant to a specific resolution adopted at the last meeting of the Board of Directors. I am informed by Mr. Clerk that upon receipt of said nomination it will be forwarded by air mail to the Board of Governors of the Federal Reserve System in Washington, D. C. Since in the law governing the conduct of such elections the Chairman of the Board of Directors is designated as the official of the Reserve Bank to whom such nominations shall be made and election ballots directed, I am advising you more fully of the position of this bank with respect to its right to participate in said election.

"Your attention is respectfully directed to the fact that any ruling heretofore made regarding affiliation of this bank with Transamerica Corporation has been based upon the election or elections of directors held on January 9, 1940 or January 14, 1941. Your attention is also respectfully directed to the provision of law (i.e., Section (2) (c) (1) of the Banking Act of 1933) under which such ruling was made and to the fact that the ruling was predicated upon and limited to the voting for and the election of directors of Bank of America National Trust and Savings Association at a preceding election. Twice since said rulings were made (i.e., January 13, 1942 and January 12, 1943) the shareholders of Bank of America National Trust and Savings Association have met and elected a full board of directors and the relative participation, both actual and potential, of Transamerica Corporation and other shareholders varied greatly from that prevailing in the elections of January 9, 1940 and January 14, 1941.

"We especially call to your attention the fact that at each of the subsequent elections of directors of Bank
"of America National Trust and Savings Association (i.e., that of January 13, 1942 and January 12, 1943) the shares voted, other than those owned or controlled directly or indirectly by Transamerica Corporation and its affiliates, exceeded the number of shares so owned or controlled, directly or indirectly, by Transamerica Corporation and its affiliates.

"This bank has not been advised either by the Board of Governors of the Federal Reserve System, by the Federal Reserve Bank of San Francisco, by the Comptroller of the Currency or by any supervisory authority whatsoever that Transamerica Corporation sustains the relation to it of a holding company affiliate by reason of the circumstances connected with the election of directors on January 13, 1942 or January 12, 1943. So far as is known to this bank there is no ruling of the Board of Governors of the Federal Reserve System or of any other supervisory authority to the effect that Transamerica Corporation is a holding company affiliate of this bank by reason of its owning or controlling, directly or indirectly, more than 50 per centum of the number of shares of Bank of America National Trust and Savings Association voted for the election of directors 'at the preceding election,' nor by virtue of any other circumstance that would give rise to that legal relationship. Not only is there no extant ruling of the Board of Governors of the Federal Reserve System under which this bank can be denied its right to participate in the nomination and election of directors of the Federal Reserve Bank of San Francisco, but under the rule applied in determining affiliation, arising out of the elections of its directors in 1940 and 1941, such affiliation no longer exists and has not existed since January 13, 1942.

"For your further information I wish to state that this bank has been advised by the Comptroller of the Currency of the conclusion of that office that Transamerica Corporation was a holding company affiliate of the bank 'in 1941,' but has not been so advised with respect to any subsequent year. It is further informed that in the view of the Comptroller of the Currency it is the duty of individuals and corporations concerned to determine whether under the law and the relevant facts and circumstances a holding company affiliate relationship exists. Bank of America National Trust and Savings Association in discharging that duty has determined that such relationship does not exist with respect to it and any other corporation whatsoever."
"Your attention is further directed to the fact that the resolution of the Board of Directors of Transamerica Corporation of January 4, 1943, whereby First Trust and Savings Bank of Pasadena, California was designated by Transamerica Corporation to participate in nominations and elections of Class A and Class B directors of the Federal Reserve Bank of San Francisco, in no manner qualifies or purports to qualify the right of this bank to participate in said election, and we desire to inform you that Transamerica Corporation has no lawful right, power or authority to represent Bank of America National Trust and Savings Association in the nomination and election of directors of the Federal Reserve Bank.

"For your convenience and for their appropriate probative effect to establish the essential facts stated above, there are attached to this letter exhibits as follows:

Exhibit 'A' - Copy of the formal letter of notification from the Federal Reserve Bank of San Francisco, dated June 20, 1941, with respect to affiliation, predicated upon the election of directors in 1940.

Exhibit 'B' - Certificate of Hugo A. Steinmeyer, Secretary of Bank of America National Trust and Savings Association, with respect to the election of directors of the bank on January 12, 1943 and January 13, 1942.

Exhibit 'C' - Certificate of A. L. Elliott Ponsford, Secretary of Transamerica Corporation, with respect to the ownership of shares of Bank of America National Trust and Savings Association by Transamerica Corporation and its subsidiaries at the close of business January 11, 1943.

"In the circumstances hereinafore stated and in light of the proof herewith submitted we would respectfully request that you make lawful disposition of the nominating ballot by treating it as presenting the lawful nomination by this bank and that you discharge the responsibility devolving upon
"you by law to the end that this bank enjoy on an equality with other banks its lawful right to participate in the election of directors of the Federal Reserve Bank of San Francisco."

The letter from Mr. Clerk was in the following form:

"There is enclosed a copy of a letter dated November 1, 1943, addressed by Carl F. Wente, Senior Vice President of the Bank of America National Trust and Savings Association, to the Honorable Henry F. Grady, Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco, together with the enclosures referred to therein. The statement contained in the first paragraph of Mr. Wente's letter needs no elaboration.

"The Certificate of Nomination for Class A Director transmitted by Mr. Wente was received within the time limited in our circular, and would be counted as a valid nomination if the affiliate relationship between the Bank of America N. T. & S. A. and the Transamerica Corporation is to be treated as having terminated. It will be recalled that, in its telegram to this bank dated March 3, 1941, the Board said, upon the basis of facts submitted pertaining to the election of directors, the Board concurred in the opinion of counsel for this bank that the Transamerica Corporation was then a holding company affiliate of the Bank of America N. T. & S. A., and added 'In the light of such opinion, it is unnecessary to consider the applicability of that portion of the definition relating to "controls in any manner"'.

"In connection with the election of a Class A Director now in process, it should be stated that nominations have closed and, inasmuch as there is only one nominee, there will be no contest. Not later than November 12, 1943, it will be necessary to circularize our member banks, giving notification of the candidates who have been nominated and the names of their nominors. We are mindful of the fact that, if the names of both the First Trust and Savings Bank, Pasadena, and the Bank of America N. T. & S. A. appear as nominors, it will carry the conclusion that the Bank of America N. T. & S. A. has been determined to be not an affiliate of the Transamerica Corporation, and therefore entitled to participate in the election."
"With reference to the fifth paragraph of Mr. Wente's letter, we draw your attention to the unfortunate circumstance, of which the bank is apparently unaware, that National Bank Examiner Frank A. Rees, in his examination report of February 4, 1943, stated in reply to Question 1, Page 20, that the Bank of America N. T. & S. A. did not have a holding company affiliate. A copy of the relevant questions and answers contained in the examination report is enclosed. This has been brought to the attention of Chief National Bank Examiner Wright, so the mistake will not be repeated in the report of examination of July 31, 1943, now in the course of completion.

"We shall be indebted for instructions as to what reply, if any, we shall make to Mr. Wente."

The question raised in the above correspondence was discussed in the light of the information available to the Board and, upon motion by Mr. McKee and by unanimous vote, the following telegram to Mr. Clerk was approved unanimously:

"The Board has considered the letter dated November 1, 1943, addressed by Bank of America N. T. & S. A. to Chairman Grady with respect to a Certificate of Nomination which it has filed in connection with the forthcoming election of a Class A director by Group I banks. The Board is informed that Transamerica Corporation has designated First Trust & Savings Bank, Pasadena, to participate in such election; that only one person has been nominated; and that such person is the same person named in the Certificate of Nomination which is the subject of Bank of America's letter. Such information as the Board has does not indicate that the control of Bank of America N.T. & S.A. has changed by reason of the reduction in the number of shares of the bank held by Transamerica Corporation nor that control is exercised in any different manner than was the case when the application for a voting permit was filed and the voting permit granted. In these circumstances, it is the Board's view that, however academic the question may be, it would violate the spirit as well as the letter of the law for both Bank of America N. T. & S. A. and the First Trust & Savings Bank, Pasadena, to participate in the election. Accordingly, you are requested to convey the contents of this wire to Bank of America N. T. & S. A."
"and to advise it that the Board has ruled it ineligible to participate in the election."

At this point Mr. Dreibelbis withdrew from the meeting, and the action stated with respect to each of the matters hereinafter referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on November 3, 1943, were approved unanimously.

Memoranda of this date from Mr. Morrill, recommending that Mrs. Shirley Jane Lynn and Miss Sonia Maskalenko be appointed as cafeteria helpers in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, each with basic salary at the rate of $1,080 per annum, effective November 4, 1943.

Approved unanimously.

Memorandum dated November 1, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Jesse D. Smith, who had been discharged from the United States Army for disability, be reemployed as a messenger in that Division, with no change in the basic salary he was receiving at the time he went on military leave of $1,560 per annum, effective as of the date upon which he enters upon the performance of his duties.

Approved unanimously.

Memorandum dated October 29, 1943, from Mr. Smead, Chief of the
11/4/43

Division of Bank Operations, recommending that, effective immediately, the temporary appointment of Mrs. Dorothy W. Hobson as a clerk in that Division be made permanent, with no change in her present basic salary at the rate of $1,440 per annum.

Approved unanimously.

Memorandum dated November 1, 1943, from Mr. Parry, Chief of the Division of Security Loans, recommending that the basic salary of Miss Catherine L. Schmidt, secretary in that Division, be increased from $2,000 to $2,100 per annum, effective November 16, 1943.

Approved unanimously.

Memorandum dated November 1, 1943, from Mr. Goldenweiser, Director of the Division of Research and Statistics, recommending that Charles Trescott, library aid in that Division, be granted a leave of absence without pay beginning November 6, 1943, so that he might enter active duty with the United States Navy, 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.

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

Letter to Mr. Fletcher, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:
"In accordance with the request contained in your letter of November 1, 1943, the Board approves the designation of Alois Wilczewski as a special assistant examiner for the Federal Reserve Bank of Cleveland."

Approved unanimously.

Letter to Mr. Diercks, Assistant Vice President of the Federal Reserve Bank of Chicago, reading as follows:

"In accordance with the request contained in your letter of November 1, 1943, the Board approves the designation of Laurence H. Jones as a special examiner for the Federal Reserve Bank of Chicago."

Approved unanimously.

Letter to Mr. C. J. Odenweller, Jr., Regional Administrator of the Securities and Exchange Commission, Cleveland, Ohio, reading as follows:

"This refers to your letter of October 28, 1943, to Mr. Parry regarding an inquiry which you have received under Regulation T. The question is 'If a broker is carrying a margin account for a customer and the customer desires to purchase for cash, an unregistered security, or a registered security of no collateral value for marginal purposes, is it required that the broker open a special cash account for this customer as set forth in Section 4(c) of Regulation T?'

'You are correct in assuming that the question should be answered in the negative. Section 4(a) states that 'the relations which section 4 permits to be included in any special account provided for by that section may be included in the appropriate special account, and all transactions in commodities for or with any customer shall be included in the special commodity account provided for by sections 4(a) and 4(e).' (Underscoring supplied)

'Of course, as you understand, if the transaction is effected in a general account it will not be accorded
"the special privileges which are accorded cash trans-
actions effected in a special cash account, with the
result that if there is not enough excess margin in the
account to cover the transaction, the required margin
must be obtained in three days as required by section
3(b). If there is no excess margin in the account, the
amount of margin required would be the full purchase
price of the unregistered securities.

"There are no published rulings on this subject, but
in view of what has been said above, the practice to which
you refer of entering cash transactions of unregistered
securities in margin accounts, combining the entry with
a prompt margin call, is permitted by the regulation."

Approved unanimously.

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

"It is respectfully requested that you place an or-
der with the Bureau of Engraving and Printing, supplement-
ing the order of June 15, 1943, for printing of Federal
Reserve notes of the 1934 Series in the amounts and de-
nominations stated for the following Federal Reserve
Banks:

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"The above request for Federal Reserve notes of the
Federal Reserve Bank of San Francisco is to cover notes to
be overprinted for use in Hawaii in accordance with request
received from the Treasury Department dated November 1,
1943."

Approved unanimously.

Thereupon the meeting adjourned.

[Signature]

Secretary.

[Signature]

Chairman.