

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Thursday, February 10, 1944, at 11:30 a.m.

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

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:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 7, 1944, were approved unanimously.

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on February 8, 1944, were approved and the actions recorded therein were ratified unanimously.

Memorandum dated February 8, 1944, from Mr. Morrill recommending that Mrs. Vivienne O. Goebel be appointed as a stenographer in the Secretary's Office on a temporary basis for a period of not to exceed 60 days, with basic salary at the rate of \$1,800 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.

Approved unanimously, with the understanding that if anything derogatory

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should develop in the investigation of her references her services might be terminated immediately.

Memorandum dated February 7, 1944, from Mr. Paulger, Chief of the Division of Examinations, recommending that the temporary appointment of Mrs. Elizabeth B. Wauchope as a stenographer in that Division be made permanent, with no change in her present basic salary at the rate of \$1,620 per annum, effective February 15, 1944.

Approved unanimously.

Memorandum dated February 7, 1944, from Mr. Paulger, Chief of the Division of Examinations, submitting the resignation of Marion E. Wright as an Assistant Federal Reserve Examiner, effective as of the expiration on March 11, 1944, of his accumulated and current accrued annual leave, and recommending that the resignation be accepted as of the close of business on that date or at an appropriate earlier date if annual leave is taken before February 10, 1944, the date upon which he expects to leave the Board's service.

The resignation was accepted as recommended.

Memorandum dated January 29, 1944, from Mr. Morrill, submitting the resignation of Miss Annie Bates as a cafeteria helper in the Secretary's Office, to become effective as of the close of business on February 4, 1944, and recommending that the resignation be accepted as of that date.

The resignation was accepted.

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Letter to Mr. Treiber, Secretary of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors approves the appointments of Messrs. Arthur G. Nelson, Edward J. Noble, William H. Pouch, and Francis B. Reynolds as members of the Industrial Advisory Committee for the Second Federal Reserve District to serve for terms of one year each, beginning March 1, 1944, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of New York, as reported in your letter of February 4, 1944.

"It is noted from your letter that, owing to the continued small volume of applications for 13-b loans, the directors consider it inadvisable at this time to appoint a new member of the Committee to fill the vacancy caused by the death of Mr. Beach in May 1941."

Approved unanimously.

Letter to the board of directors of the "New Cumberland Bank", New Cumberland, Pennsylvania, 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 Philadelphia. The letter also contained the following special comment:

"It appears that the bank possesses certain powers which are not being exercised and which are not necessarily required in the conduct of a banking 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 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 the corporate powers exercised by the bank since the date of its application for membership."

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Approved unanimously, together with a letter to Mr. Williams, President of the Federal Reserve Bank of Philadelphia, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'New Cumberland Bank', New Cumberland, 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.

"A letter to Harrisburg Trust Company, Harrisburg, Pennsylvania, relating to its status as a holding company affiliate upon the admission of New Cumberland Bank, New Cumberland, Pennsylvania, to membership is enclosed and is to be transmitted to the trust company. Two copies of the letter are also enclosed, one of which is for your files and the other is for transmittal to New Cumberland Bank."

Unanimous approval was also given to the following letter to the Harrisburg Trust Company, Harrisburg, Pennsylvania:

"This refers to your letter of October 18, 1943, relative to the status of the Harrisburg Trust Company, Harrisburg, Pennsylvania, as a holding company affiliate upon the admission of the New Cumberland Bank, New Cumberland, Pennsylvania, to membership in the Federal Reserve System.

"The Board understands that your bank owns over 50 per cent of the outstanding shares of preferred and common stock of the New Cumberland Bank and, accordingly, it appears that upon the latter's admission to membership, your bank will become a holding company affiliate within the meaning of the following provisions of section 2(c) of the Banking Act of 1933:

"The term "holding company affiliate" shall include any corporation, business trust, association, or other similar organization--

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"(1) Which owns or controls, directly or indirectly, \* \* a majority of the shares of capital stock of a member bank \* \* \*."

"However, the Board also understands that your bank was organized and is operated for the purpose of engaging in the general banking and trust business, and although it owns approximately 18 per cent of the outstanding stock of the Farmers Trust Company, Carlisle, Pennsylvania, and approximately 9 per cent of the outstanding stock of the Steelton Bank & Trust Company, Steelton, Pennsylvania, as well as insignificant amounts of stock of three other banks, it does not manage or control any of such banks and is not operated for the purpose of managing or controlling banks.

"In view of these facts, the Board has determined that the Harrisburg Trust Company is not engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies within the meaning of the following provisions of section 2(c) of the Banking Act of 1933:

'Notwithstanding the foregoing, the term "holding company affiliate" shall not include (except for the purposes of section 23A of the Federal Reserve Act, as amended) \* \* \* any organization which is determined by the Board of Governors of the Federal Reserve System not to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies.'

"As a result of such determination, the Harrisburg Trust Company will not be a holding company affiliate for any purposes other than those of section 23A of the Federal Reserve Act. However, the Board reserves the right to make a further determination at any time on the basis of the then existing facts and, if there should be such a change in the facts as to indicate that your bank might be deemed to be engaged, directly or indirectly, as a business in holding the stock of, or managing or controlling, banks, banking associations, savings banks, or trust companies, this matter should again be submitted to the Board."

Letter to the board of directors of the "Ypsilanti Savings Bank", Ypsilanti, Michigan, stating that, subject to conditions of membership

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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.

Letter to the "Farmers State Bank of Middleville, Michigan", Middleville, Michigan, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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

"This refers to Mr. Hopkins' letter of February 5, 1944, relating to deficiencies in reserves of The First National Bank, New Castle, Indiana, caused by a misinterpretation of instructions concerning the amendment to the Federal Reserve Act relative to War Loan Deposits.

"In view of the circumstances set forth, the Board will interpose no objection to your waiving the penalties incurred by the subject member bank."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

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"This will acknowledge receipt of your letter of January 26 in which you comment on certain undesirable trends in the policies and procedures of the Services in the handling of Regulation V loans. You suggest that a conference of Federal Reserve Bank officers in charge of V loans be held in Washington in the near future for the purpose of discussing with the Board and with the Services questions that have arisen in connection with present and future policies. Prior to the receipt of your letter, Mr. Vest discussed this situation with Mr. Stroud over the long distance telephone and pursuant to this discussion Mr. Stroud wrote Mr. Vest at length on January 25 using specific cases as examples of the types of questions which have arisen. I assume that you had discussed this general situation in detail with Mr. Stroud. Mr. Smead also received a letter on this subject from Mr. Hale, Chairman of the Presidents' Conference Committee on Reconversion, which was written after Mr. Hale had received a letter from Mr. Stroud.

"We understand from Major Day, who has recently returned from Dallas, that he had a long discussion of Regulation V financing with Mr. Stroud and that Mr. Stroud read to Major Day his letter to Mr. Vest. Major Day is going to discuss the various matters brought out in Mr. Stroud's letter with Colonel Cleveland, and from what Major Day tells us we believe he has a sympathetic appreciation of the difficulties the Banks are having in administering the Regulation V program.

"I recognize the desirability of sitting down with the Services to discuss some of the problems indicated in your letter. As you know, several subcommittees under Mr. Baruch are working on various phases of termination and reconversion problems, including interim financing, and it may be that it would be better to hold a conference in March or early April after plans relating to financing have been further developed. However, I think that a decision with respect to the advisability or timing of a conference might well await the results of Mr. Hale's letters on this subject to the members of his committee.

"As you know, it has been my personal position from the beginning that the Federal Reserve Banks should be active agents under Regulation V selected because of their special qualifications for handling the credit aspects of

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"the work. If they are to become rubber stamps, with the Financial Sections of the Services supplying the credit and banking guidance, I would prefer relieving the Federal Reserve Banks of their functions entirely and asking the Services to set up their own field organization. I agree with you that a continuation of the trends as set forth in your letter would result in a duplication of effort and a waste of manpower."

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 Federal Reserve notes of the 1934 series of the Federal Reserve Bank of San Francisco in the following denomination and amount:

Denomi- nation	Number of sheets	Amount
\$20	166,000	\$39,840,000

"The above request is to cover Federal Reserve notes of the Federal Reserve Bank of San Francisco with the Hawaiian overprinting, in accordance with request received from the Treasury Department dated February 7, 1944."

Approved unanimously, together with the following letter to Honorable D. W. Bell, Under Secretary of the Treasury, and a letter to Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, transmitting copies of Mr. Bell's letter of February 7, 1944, and the above letter to the Comptroller of the Currency:

"This will acknowledge receipt of your letter of February 7, 1944, with respect to the printing of \$39,840,000 of Federal Reserve notes of the Federal Reserve Bank of San Francisco with the Hawaiian overprinting.

"It is noted from your letter that these notes are intended to be used to establish a reserve in custody with the Federal Reserve Bank of San Francisco, and that shipments therefrom will be made on telegraphic advice to that Bank as required to meet currency needs in Hawaii and of the Navy."



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Thereupon the meeting adjourned.

Chester Morrie  
Secretary.

Approved:

W. S. Cullen  
Chairman.