

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 8, 1944, at 11:00 a.m.

PRESENT: Mr. Eccles, 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 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 May 6, 1944, were approved unanimously.

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

"This refers to the inquiry contained in your letter of February 26, 1944, as to the effect of standard condition of membership numbered 4 upon the Bridgeport City Trust Company, Bridgeport, Connecticut, should it become a member of the Federal Reserve System. We regret that it was not possible to make an earlier reply to your inquiry, but you will recall that the status of this matter was discussed with your bank by telephone on several occasions.

"In accordance with the information you have presented, it appears that the trust company deposits trust funds in its savings department as a form of investment and the Connecticut State banking authorities are of the opinion that such deposits are a form of investment authorized by State law. As you know, condition of membership numbered 4 prohibits the investment of trust funds in obligations of the trust company unless such investments are expressly required by the instrument creating

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"the trust or are specifically authorized by court order. Therefore, in the absence of such express requirement or specific authorization, the trust company would be precluded by the terms of the condition from depositing trust funds in its savings department as an investment even though such an investment is authorized by State law. Of course, the trust company would not be prohibited from temporarily depositing in its savings department trust funds awaiting investment or distribution provided securities are pledged with the trust department as is required by standard condition of membership numbered 6. It is understood from your letter that the Bridgeport City Trust Company has authority under its special charter which would enable it to comply with this requirement of standard condition 6. The Board concurs in your assumption that condition of membership numbered 4 would not be applicable to investments of trust funds in the savings department made prior to becoming a member of the System.

"It is hoped that the above may not adversely affect the question of the Bridgeport City Trust Company's applying for membership in the Federal Reserve System."

Approved unanimously.

Letter to Honorable Preston Delano, Comptroller of the Currency, reading as follows:

"The First National Bank of Pleasantville', Pleasantville, New York, has received permission to exercise trust powers under the provisions of section 11(k) of the Federal Reserve Act; and it appears that the bank now desires to surrender its right to exercise such powers. It is understood that such bank was placed in voluntary liquidation on July 17, 1943, and was absorbed by County Trust Company of White Plains, White Plains, New York, a State member bank.

"Where a national bank desires to surrender its right to exercise trust powers, it is the customary procedure for us to request that you have one of your examiners make a special investigation of the trust department records of the bank in order to determine whether

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"it appears that the bank has ever undertaken to act in any fiduciary capacity and, if so, whether in the case of each trust accepted or undertaken it appears from the bank's records:

(1) That all assets and papers belonging to the trust estate have been delivered by the bank to the person or persons entitled to receive them; and

(2) That the duties of the bank as fiduciary have been completely performed and that the bank has been discharged or otherwise properly relieved of all of its duties as fiduciary.

"In this instance, however, it appears that, since the national bank was absorbed by a State member bank, it would be more convenient and less expensive for the investigation to be made by an examiner for the Federal Reserve Bank of New York in connection with the examination of such State member bank. In the circumstances, it will be appreciated if you will advise us whether you have any objection to the matter being handled in this manner instead of following the customary procedure."

Approved unanimously, together with a letter to Mr. Gidney, Vice President of the Federal Reserve Bank of New York, enclosing a copy of the above letter for his information.

Letter to the Presidents of all the Federal Reserve Banks, reading as follows:

"For your information and guidance there are enclosed copies of memoranda received from the War Department under date of May 4, 1944 and from the Navy Department and Maritime Commission under date of May 3, 1944, respectively, regarding the extension of maturity of Regulation V loans in cases where the 1942 form of guarantee agreement is in effect.

"There is also enclosed the original attachment, if any, relating to your Bank included among those which accompanied the Navy Department memorandum."

Approved unanimously.

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Letter to Honorable Harold D. Smith, Director of the Bureau of the Budget, reading as follows:

"Reference is made to your circular letter of April 24, 1944 (Bulletin No. 1943-44:6) relating to legislation providing for discontinuance of reports to Congress and asking advice as to what reports to Congress not included in the draft of bill attached to your letter may, in the Board's opinion, be discontinued without detriment to the public service.

"The Board does not feel at this time that it should suggest that any reports which it is required by law to make to Congress should be discontinued."

Approved unanimously.

Thereupon the meeting adjourned.

A. Lester Morrie
Secretary.

Approved:

W. S. ...
Chairman.