

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 20, 1944, at 11:15 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice Chairman
Mr. Szymczak
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. Leonard, Director of the Division of Personnel Administration

Mr. Szymczak stated that sometime ago he had been approached by the Foreign Economic Administration as to the possibility of his making a trip to London for the Administration in connection with the supplies and materials that Belgium would need and would purchase from the United States following the war, that he had taken the position that he would not be able to reach a decision on the matter pending the return of Messrs. Eccles and Ransom to Washington, and that this morning he had had another call from the Foreign Economic Administration in connection with the matter. He said that it was contemplated that he would be away from Washington for a period of about six weeks, leaving sometime during July and returning the early part of September. He also stated that he had told the representative of the Foreign Economic Administration with whom he had discussed the matter that since he was an appointee of the President it would be necessary to

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have the trip approved by the President, and that before he (Mr. Szymczak) could make a commitment on the matter he would have to take it up with the Board. The matter had already been taken up with the State Department, Mr. Szymczak said, and had been approved by it, and if and when the matter was approved by the President the letter of approval would be sent to the Board. Mr. Szymczak added that following the telephone conversation he discussed the proposed trip with Chairman Eccles, who had suggested that it would be well for him to be back in Washington for the meetings of the Federal Open Market Committee and the Presidents' Conference which it was anticipated would be held during the week of September 10. He also said that the matter was being brought to the attention of the Board at this time to ascertain whether there was objection on the part of any member of the Board to his making the trip.

Chairman Eccles said that since Mr. Szymczak would be making the trip with the approval of the President there would seem to be no reason for objection on the part of the Board. He did not think that the matter called for action by the Board and that, so far as the records of the Board were concerned, all that was necessary was that the record should show that Mr. Szymczak reported the matter to the Board and that no objection was made to the proposed trip. The other members of the Board present were in agreement with the opinion expressed by Chairman Eccles.

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Mr. Szymczak then referred to the action taken by the Board on July 29, 1941, in fixing maximum salaries for the positions of President and First Vice President at the respective Federal Reserve Banks, and stated that at the time of the last Chairmen's Conference the Chairmen of the Federal Reserve Banks of Richmond, Kansas City, and Dallas discussed with him informally the desirability of increasing the maximum salaries of the Presidents and First Vice Presidents at the Richmond, Atlanta, Kansas City, and Dallas Banks to \$25,000 and \$18,000, respectively. The suggestion had been made that the Chairmen of the Federal Reserve Banks of St. Louis and Minneapolis did not join in the request for the possible reason that the salaries of the Presidents of these Banks had been fixed at \$25,000 prior to the establishment of the maximum of \$20,000 for the six Banks referred to.

Before this meeting copies of a memorandum addressed to Governor Szymczak by Mr. Leonard under date of June 10, 1944, in which the major questions raised by the request of the three Chairmen were set forth, had been sent to the members of the Board, and the matter was discussed in the light of those questions. As pointed out in the memorandum, even if the Board should decide that the request of the three Chairmen should be granted, there was a question whether such action would be appropriate or possible under the existing salary stabilization regulations which provide that increases in maximum annual salaries are permissible only to correct gross inequities.

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In the discussion of the matter, the members of the Board present indicated that, while they would be disposed to review the salary maximums for all the Banks at some future time, it did not appear that the established maximums could be increased as long as the present salary stabilization regulations remained in effect. In this connection, it was stated that it should be clearly understood that agreement upon the desirability of a review at an appropriate time did not necessarily imply agreement that increases would be favored, since it would be equally possible to remove any disparity in maximums by adjustments downward.

At the conclusion of the discussion, upon motion by Mr. Szymczak and by unanimous vote, Mr. Leonard was requested to prepare for consideration by the Board a draft of letter to the Chairmen of the four Federal Reserve Banks involved along the lines suggested during the discussion.

At this point Mr. Leonard withdrew from the meeting and Mr. Parry, Director of the Division of Security Loans, entered the room.

Mr. Ransom presented a memorandum addressed to the Board by him and Mr. Parry under date of June 15, 1944, in which it was recommended that the Board adopt the following amendment to Regulation W, Consumer Credit:

"AMENDMENT NO. 13 TO REGULATION W

"Issued by the Board of Governors
of the Federal Reserve System

"Regulation W is hereby amended effective June 22,

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"1944, by striking out subsection (b) of section 12 and substituting the following:

"(b) Extension of Credit for Mixed Purposes. - In case an extension of credit is partly subject to one section of this regulation and partly subject to another section, the amount and terms of such extension of credit shall be such as would result if the credit were divided into two or more parts and each part were treated as if it stood alone. In case an extension of credit is partly subject to this regulation and partly not subject to the regulation, the amount and terms of such extension of credit shall be such as would result if the credit were divided and the part subject to the regulation were treated according to the applicable provisions of the regulation; the part not subject to the regulation may be treated as if the regulation did not exist."

At Mr. Ransom's request, Mr. Parry discussed briefly the reasons for, and the effect of, the proposed amendment as outlined in greater detail in the memorandum of June 15, and Mr. Ransom stated that, while the amendment had not been submitted to the Consultative Committee, it had been discussed informally with Mr. Francis Bonner of the Office of Price Administration who expressed his willingness to concur. There was agreement on the part of the members of the Board present that the amendment was not of sufficient importance to justify its submission to the members of the Consultative Committee.

Upon motion by Mr. Ransom and by unanimous vote, the amendment was approved to become effective June 22, 1944, with the understanding that it would be sent by wire to the Federal Reserve Banks and that they would be requested to print this amendment and Amendment No. 12, approved by the Board on June 16, 1944, and make the necessary distribution in the respective Federal Reserve districts. It was also understood that a statement for the press regarding the two amendments would be released in a form approved by Mr. Ransom.

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Before this meeting there had been circulated among the members of the Board a memorandum addressed to Mr. Draper by Mr. Parry under date of June 16, 1944, in which the question was raised whether action should be taken by the Board at this time to reduce from 60 to 50 per cent the maximum loan value of securities prescribed in the Board's Regulation T, Extension and Maintenance of Credit by Brokers, Dealers, and Members of National Securities Exchanges, and Regulation U, Loans by Banks for the Purpose of Purchasing or Carrying Stocks Registered on a National Securities Exchange. Mr. Draper discussed briefly the reasons which might prompt action by the Board at this time. These reasons were discussed, and it was agreed that the matter should be given further consideration at the meeting of the Board to be held on Friday, June 23, 1944.

At this point Messrs. Thurston and Parry 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 June 19, 1944, were approved unanimously.

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

"The Board of Governors approves the payment of salaries to the officers of the Federal Reserve Bank

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"of Cleveland and its Branches for the period July 1, 1944 through April 30, 1945, at the rates as fixed by your Board of Directors and reported in your letter of June 15, 1944, as follows:

<u>Name</u>	<u>Title</u>	<u>Annual Salary</u>
M. J. Fleming	President	\$25,000
R. B. Hays	First Vice President	16,500
W. H. Fletcher	Vice President	15,000
A. H. Laning	Vice President and Cashier	9,000
W. F. Taylor	Vice President	10,000
K. H. MacKenzie	Vice President	8,000
E. A. Carter	Assistant Vice President	7,500
W. D. Fulton	Assistant Vice President	7,000
H. E. J. Smith	Assistant Vice President	7,000
W. M. Morrison	Assistant Vice President	6,500
C. J. Bolthouse	Assistant Cashier	6,500
W. L. Findeisen	Assistant Cashier	6,500
F. J. Blake	Assistant Cashier	5,492
Roger R. Clouse	Secretary	7,500
F. V. Grayson	Auditor	9,000
<u>Cincinnati Branch</u>		
B. J. Lazar	Vice President	11,000
H. N. Ott	Cashier	7,200
Salmon Brown	Assistant Cashier	5,000
P. J. Geers	Assistant Cashier	5,000
R. G. Johnson	Assistant Cashier	5,500
<u>Pittsburgh Branch</u>		
J. W. Kossin	Vice President	11,000
A. G. Foster	Cashier	9,000
Clyde Harrell	Assistant Vice President	6,700
W. H. Nolte	Assistant Cashier	4,740
J. A. Schmidt	Assistant Cashier	5,500
R. J. Steinbrink	Assistant Cashier	5,000

"The Board of Governors also approves the payment of a retainer fee to the firm of Squire, Sanders and Dempsey at the rate of \$5,000 per annum for the period July 1, 1944 through April 30, 1945."

Approved unanimously.

Telegram to Mr. W. Bratten Evans, President of the Tennessee Enamel Company, Nashville, Tennessee, reading as follows:

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"The Board of Governors of the Federal Reserve System has appointed you director of the Nashville Branch of the Federal Reserve Bank of Atlanta for the unexpired portion of term ending December 31, 1946, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

Letter to "The First National Bank of Pleasantville", Pleasantville, New York, reading as follows:

"This refers to the resolution adopted on April 29, 1944, by the board of directors of your bank, signifying the bank's desire to surrender its right to exercise fiduciary powers heretofore granted to it.

"The Board, understanding that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is enclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers conferred by section 11(k) of the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System.

"Since it may be necessary for you to file a certified copy of the Board's certificate with the State authorities in connection with the release of the securities which you have deposited with them, such a copy is enclosed herewith."

Approved unanimously.

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Telegram to Mr. Leedy, President of the Federal Reserve Bank of Kansas City, reading as follows:

"Board has received following letter dated June 16 from George Klein, Vice President, Colorado National Bank, Denver, Colorado:

'One of our customers, to whom we issued a time certificate of deposit in April of this year, is desirous of cashing the same for the purpose of investing the entire proceeds in United States Bonds offered in the Fifth War Loan Drive. It is understood, of course, that accrued interest will be forfeited.

'May we have your authority to cash said certificate upon the signing of "an application describing fully the circumstances" and, in fact, we ourselves actually selling the Government bonds to the holder of the certificate. We have offered to "make a loan to the depositor upon the security of his time deposit", but he has refused the same.'

"You will recall that Board's telegram of December 17, 1941 (S-408) stated that withdrawal of time certificate for purchase of defense bonds does not constitute emergency within meaning of section 4(d) of Regulation Q. Since inauguration of war bond campaigns matter of withdrawal of time certificates of deposits before maturity for purchase of war bonds has been discussed with Treasury Department on several occasions and given careful consideration but it has not been deemed advisable to take any action permitting such withdrawals. Will you kindly reply to Mr. Klein in light of the above."

Approved unanimously.

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

"There is enclosed a memorandum to all Federal Reserve Banks from the Navy Department, dated June 17, 1944, concerning a form of report on cancelled contracts to be filed under section 6(F) of guarantee agreement form of

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"April 6, 1943, together with a copy of the proposed form.

"The form of report is approved by the War Department and the Maritime Commission as well as the Navy Department. You will note that, while the form may be prescribed by the Reserve Banks, the Services feel they should not require use of this particular form until the Reserve Banks have had an opportunity to comment on it and until it has been subjected to the test of experience."

Approved unanimously.

Letter to Mr. C. N. Nichols, Managing Director of Northeastern Roofing, Siding and Insulating Contractors Association, Inc., New York, New York, reading as follows:

"This will acknowledge your letter of June 15, 1944, concerning a possible change in the application of Regulation W to credits for 'insulated brick siding'.

"My letter of June 13 was not intended to foreclose you from bringing to our attention any additional information which you might obtain. We shall be glad to have further data on the question of production.

"As indicated in the letter of June 13, however, no new factual information has appeared up to this time and consequently it does not seem possible to reopen the question now. You will understand that a change in the production situation would not necessarily call for a reversal of the Board's decision."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...
Chairman.