

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, June 27, 1944, at 10:45 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. Clayton, Assistant to the Chairman
Mr. Thurston, Special Assistant to the
Chairman
Mr. Paulger, Director of the Division
of Examinations
Mr. Leonard, Director of the Division of
Personnel Administration
Mr. Vest, Assistant General Attorney
Mr. Wyatt, General Counsel
Mr. Pollard, Assistant Director of the
Division of Examinations

Mr. McKee referred to a letter addressed to the Board under date of May 19, 1944, by Mr. Clerk, First Vice President of the Federal Reserve Bank of San Francisco, regarding the application of the Custer County Bank, Challis, Idaho, for membership in the System, in which it was stated that at a meeting of the Reserve Bank's executive committee on May 18 the application of the subject bank for membership had been reviewed at great length, that, while the members of the committee were reluctant to make an adverse recommendation, they could not bring themselves to advocate membership for a bank which gave all appearances of having been unwisely chartered with little prospect of becoming a strong and useful member, that it had not been overlooked that it must have

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been the judgment of the Federal Deposit Insurance Corporation that the bank would be a success in that future earnings prospects were favorable, and that the committee hoped that this prediction would materialize soon. The letter concluded with a statement that it was the recommendation of the Reserve Bank's executive committee that further action on the application be deferred until another review could be made at the close of the year.

Mr. McKee stated that he had talked to Mr. Clerk over the telephone on two occasions regarding this matter and that the Board had previously acceded to an earlier suggestion of the Reserve Bank that it defer action for six months in order that it might observe the progress made by the bank. However, he said, the six months' period had elapsed and it appeared that the Reserve Bank was still unwilling to submit a favorable recommendation that the bank's application be approved. He indicated that he would be disposed to act favorably on the application without having received a favorable recommendation from the Reserve Bank but that he hesitated to depart from a policy which had been observed except in the case of the Peoples Bank of Lakewood Village, California.

Mr. Paulger called attention to the fact that similar situations had arisen in other Federal Reserve districts, and particular reference was made to the applications of the Farmers State Bank, Wallace,

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Nebraska, and the American Falls Bank, Inc., American Falls, Idaho, which were approved by the Board on October 29, 1938, and December 21, 1940, respectively. He expressed the view that if an application similar to that of the Custer County Bank had been submitted to any of the other Federal Reserve Banks they would undoubtedly have forwarded it to the Board with a favorable recommendation. He also said that Mr. McKee had covered the ground very fully in his telephone conversations with Mr. Clerk, and he felt confident that the San Francisco Reserve Bank was fully cognizant of the Board's attitude on the questions of policy involved.

A discussion ensued, at the conclusion of which, upon motion by Mr. McKee and by unanimous vote, the Board authorized the staff to prepare for its consideration and approval a letter to President Day of the Federal Reserve Bank of San Francisco transmitting a letter to the Custer County Bank approving its admission to membership in the Federal Reserve System.

Reference was made to a memorandum addressed to the Board by the Personnel Committee under date of June 23, 1944, submitting the name of Brayton Wilbur, President and General Manager of the Wilbur-Ellis Company (Inc.), general importers and exporters, San Francisco, California, for appointment as a Class C director of the Federal Reserve Bank of San Francisco for the unexpired portion of the term ending December 31, 1946, and recommending (1) that the Chairman of the

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Federal Reserve Bank of San Francisco be requested to ascertain informally whether Mr. Wilbur would accept appointment and (2) that the appointment be tendered if he would accept.

Chairman Eccles stated that on his recent visit to the west coast he had made inquiries which confirmed the favorable reports received by the Board.

The recommendations of the Personnel Committee were approved unanimously.

There was then presented the following memorandum addressed to the Board by the Personnel Committee under date of June 23, 1944:

"For its guidance in making recommendations for successors to the Branch directors whose terms expire at the end of this year, the Personnel Committee would like to have the Board consider whether the provisions of the Board's regulations making Branch directors ineligible for reappointment after having served six consecutive years will again be waived this year, or whether they will be maintained in force.

"The Board's regulations relating to Federal Reserve Banks provide that no director, bank appointee as well as Board appointee, other than the Managing Director, shall be reappointed immediately following six or more years of continuous service.

"The Federal Reserve Bank of Chicago requested a modification of this provision last year in order to permit the reappointment of Mr. McLucas at the Detroit Branch. The Board considered the policy, and in a letter dated November 17, 1943 (S-709), advised the Banks that - - - 'in view of the unusual conditions brought about by the war it is decided that, without making a formal change in its regulations, the Board will waive the rule in connection with the appointments of branch directors for terms beginning January 1, 1944. The Board will consider this matter again toward the end of next year and you will be advised at that time of the conclusion reached with respect to terms beginning January 1, 1945.'

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"Pursuant to such waiver, the Federal Reserve Banks reappointed five directors who had served six or more years, and the Board reappointed seven of the 11 Branch directors who had served six or more consecutive years.

"Attached is a list of the Branch directors whose terms will expire at the end of this year and who will have served six or more years at the end of the current term.

"In a number of cases strict compliance with the regulation would result in forcing good men off the boards.

"RECOMMENDATION:

"The Personnel Committee recommends that for the coming year the prohibitions in the regulations against reappointment of Branch directors who had served six years or more be waived on the same basis as last year and that the determination of whether a director be reappointed by the Board after six or more years of continuous service be made in the light of the particular circumstances, including the value of the individual director to the Branch and the availability of qualified successors."

Approved unanimously.

At this point Messrs. Thurston, Paulger, Leonard, Vest, Wyatt, and Pollard 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 26, 1944, were approved unanimously.

Telegram to Mr. MacKenzie, Vice President of the Federal Reserve Bank of Cleveland, reading as follows:

"We have cabled Triffin agreeing to Eckert's return early in July. Tone of his letters suggests desirability of your suggesting that he refrain from public criticism of project in which State Department as well as Board is interested. Letter follows."

Approved unanimously.

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

"Referring to Mr. Smead's wire of June 8, and your reply thereto, regarding the desire of the Commodity Credit Corporation to have the Federal Reserve Banks act directly as fiscal agents of the Corporation instead of indirectly through the Reconstruction Finance Corporation as at present, the Under Secretary of the Treasury wrote to all Federal Reserve Banks regarding this matter under date of June 26, 1944. The letter of the Under Secretary of the Treasury enclosed drafts of a proposed agreement for the consideration and comments of the Federal Reserve Banks and a copy of the agreement between the Banks and the RFC for convenient reference.

"On Monday, June 12, Messrs. Smead, Paulger, and Vest had a conference with representatives of the General Accounting Office, at which were also present representatives of the CCC and the Treasury Department. After considerable discussion, Mr. J. C. Nevitt, Chief, Planning and Budget Section, General Accounting Office, and Mr. E. W. Bell, Chief, Audit Division, General Accounting Office, indicated that it was their intention to accept certifications from the Federal Reserve Banks and not to send auditors to the Banks unless in some particular case such a procedure seemed warranted. In this latter respect they had in mind particularly the custody end of the work but also felt that they might occasionally have need for making an examination of some of the accounts through which the commodity transactions of the Corporation are functioned. Mr. Nevitt made a brief reference to the administrative and operating expenses of the Federal Reserve Banks but it was reasonably clear that the officials of the GAO have no intention of going further in any case than the RFC now goes in auditing the CCC accounts. Mr. John Payne, Treasurer of the CCC, stated quite positively that he felt that certifications should be accepted by the GAO. It is our understanding that certifications will be accepted by the CCC.

"While it is understood, of course, that officials of the GAO will not go further than to state what their present intentions are, Messrs. Smead, Paulger, and Vest all gained the impression that they wished to cooperate

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"fully with the CCC and the Federal Reserve System in this matter.

"If the revised procedure becomes effective and the GAO should at any time attempt to examine into the operating costs of the Federal Reserve Banks, it will be appreciated if you will promptly advise the Board of all pertinent facts in regard thereto."

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 13, 1944, for printing Federal Reserve notes of the 1934 Series in the amounts and denominations stated for the Federal Reserve Bank of St. Louis:

Denomi- nation	Number of sheets	Amount
\$500	1,700	\$10,200,000
1000	1,300	15,600,000"

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. A. R. [Signature]
Chairman.