

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, October 25, 1944, at 12:15 p.m.

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

Mr. Morrill, Secretary  
Mr. Bethea, Assistant Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Clayton, Assistant to the Chairman  
Mr. Dreibelbis, General Attorney  
Mr. Van Fossen, Assistant Director,  
Division of Bank Operations  
Mr. Cagle, Assistant Director, Division  
of Examinations

Mr. McKee stated that a letter had been received from Mr. Grady, Chairman of the Federal Reserve Bank of San Francisco, under date of October 17, 1944, with which was enclosed a letter received from C. F. W. Wente, Senior Vice President of the Bank of America National Trust and Savings Association, dated October 16, 1944, transmitting a certificate of nomination for a Class B director of the Federal Reserve Bank of San Francisco. Mr. Grady's letter stated that, since it was the duty of the Board to classify member banks into their respective groups for the purposes of elections of directors of Federal Reserve Banks and to determine affiliate relationships between holding companies and banks and the resulting qualifications of banks to participate in elections, in view of circumstances with which the Board was familiar he would appreciate receiving instructions in the premises. Mr. McKee also said that he and Mr. Dreibelbis had been discussing the form of

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a reply to be sent to the Bank of America National Trust and Savings Association, and that a draft of a reply had been prepared which he would like to have the Board consider with the understanding that, before it was sent, the comments of Mr. Agnew, Counsel for the Federal Reserve Bank of San Francisco, and Mr. Leachman, Special Counsel for the Board, would be obtained.

Mr. Dreibelbis read the letters from Mr. Grady and Bank of America National Trust and Savings Association referred to above, as well as the draft of a proposed reply that had been prepared.

In the ensuing discussion, Mr. McKee stated that the classification of member banks and procedure for the election of Class A and B directors of Federal Reserve Banks were matters for primary consideration and recommendation to the Board by the Personnel Committee and that, if agreeable to the Personnel Committee, it would be his suggestion that the matter be handled as outlined above.

The members of the Personnel Committee having indicated their agreement, the draft of letter to the Bank of America National Trust and Savings Association was approved unanimously, subject to such changes in form as might be agreed upon by Mr. Dreibelbis with Messrs. Agnew and Leachman, with the approval of Mr. McKee, and with the understanding that, if it were thought necessary to make any changes in the substance of the reply, it would be resubmitted to the Board by Mr. Dreibelbis for further consideration.

Secretary's Note: The letter sent to Mr. Carl F. Wente, Senior Vice President of

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Bank of America National Trust and Savings Association on October 27, 1944, in accordance with this action, read as follows:

"This is in response to your letter of October 16, 1944, to Mr. H. F. Grady, Chairman of the Board of Directors of the Federal Reserve Bank of San Francisco tendering a nomination by your bank of a Class B director of the Federal Reserve Bank of San Francisco, Group No. 1.

"Chairman Grady has referred your letter to this Board since it is solely the duty of the Board to classify member banks into their respective groups for the purpose of elections of directors of Federal Reserve Banks and since it is also solely the duty of the Board to determine affiliate relationships between holding companies and banks and the resulting qualifications of banks to participate in elections. As you have been advised on other occasions, this Board, as required by section 4 of the Federal Reserve Act, has classified banks of the Twelfth District into three general groups. This classification is subject, however, to the proviso at the end of the sixteenth paragraph of section 4 of the Federal Reserve Act reading as follows:

'That whenever any two or more member banks within the same Federal reserve district are affiliated with the same holding company affiliate, participation by such member banks in any such nomination or election shall be confined to one of such banks, which may be designated for the purpose by such holding company affiliate.'

This proviso was enacted for the obvious purpose of seeing to it that, where a bank holding company is involved, but one vote in the election of directors of Federal Reserve Banks would go to one management. Your bank, through management which is common to that of Transamerica Corporation, knows that the latter, in accordance with the above-quoted proviso, has designated another bank of the Transamerica group to participate in the election in question.

"The same contention which your bank now makes was made on two former occasions, November 1943 and May 1944. On each occasion this Board pointed out that Transamerica Corporation, as a holding company affiliate of your bank, had applied for, received, and continued to hold a voting permit issued by this Board. It also pointed out that such information as the Board had did not indicate that the control of Bank of America N. T. & S. A. had changed by reason of the reduction in the

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"number of shares of the bank held by Transamerica Corporation nor that the control of the bank was exercised in any different manner than was the case when the application for the voting permit was filed and the voting permit granted. Transamerica Corporation, through management which is common to that of your bank, is aware of the Board's views in this respect.

"Moreover, when the voting permit was granted, Transamerica Corporation was advised that this Board would consider the agreements, which were contained in the application or were made as a condition to the granting of a voting permit, terminated when the voting permit issued to Transamerica Corporation was revoked or was surrendered with the approval of the Board. Transamerica Corporation was also advised that the Board would approve a surrender of the permit when it was satisfied that Transamerica Corporation was no longer a holding company affiliate. Your bank, through management which is common to that of Transamerica Corporation, is aware of this fact. While the qualifications of Bank of America N. T. & S. A. to participate in an election of a director of the Federal Reserve Bank of San Francisco are not governed by whether Transamerica Corporation has a permit to vote its stock in that bank, it is significant that Transamerica Corporation continues to exercise the privileges granted by the permit and has not asked the Board to approve its surrender. Nor has the Board received any evidence which would cause it to change the views heretofore expressed in its wires of November 5, 1943, and May 30, 1944, addressed to the Federal Reserve Bank of San Francisco, the contents of which were communicated to you.

"Accordingly, a copy of this letter is being delivered to Chairman Grady with this Board's instructions to him that Bank of America N. T. & S. A. is not qualified to participate in the election in question because Transamerica Corporation has designated another bank for such purpose, and that he is to reject the nomination tendered by Bank of America N. T. & S. A."

The letter to Mr. Grady, referred to in the last paragraph of the letter to Mr. Wente, was in the following form:

"Receipt is acknowledged of your letter of October 17, 1944, enclosing a copy of a letter dated October 16, 1944,

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"addressed to you by Mr. Carl F. Wente, Senior Vice President, Bank of America N. T. & S. A.

"A copy of the Board's reply of this date to Mr. Wente is enclosed. In response to your request for guidance, you are advised that Bank of America N. T. & S. A. is not qualified to participate in the election in question and you are instructed to reject the nomination tendered in Mr. Wente's letter."

For reasons referred to during the discussion of the above matter, it was agreed that a telegram should be prepared to the Presidents of all the Federal Reserve Banks stating that the classification of member banks for election of Class A and B directors heretofore established by the Board would be continued until further notice.

At this point Messrs. Dreibelbis, Van Fossen, and Cagle withdrew from the meeting.

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 October 24, 1944, were approved unanimously.

Telegram to Mr. Flanders, President of the Federal Reserve Bank of Boston, stating that the Board approves the establishment by the Federal Reserve Bank of Boston, effective October 27, 1944, of a maximum commitment rate on loans under section 13b of the Federal Reserve Act guaranteed under Regulation V of 1/4 per cent per annum, based on the average daily unused balance of the maximum principal

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amount of the loan, or in the alternative a flat fee of not to exceed \$50; and that, otherwise, the Board approves the establishment without change by the Federal Reserve Bank of Boston on October 23, 1944, of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated October 21, 1944, from Mr. Smead, Director of the Division of Bank Operations, recommending that the Board approve the draft of Form F.R. 105 attached to the memorandum for use in obtaining reports of condition of State member banks on the forthcoming end-of-year call. The proposed form was the same as that used on December 1, 1943, except for minor clarifying changes indicated on the revised draft. It was understood that the Comptroller of the Currency and the Federal Deposit Insurance Corporation expected to make similar changes in their call report forms.

Approved unanimously, together with a draft of letter to the Presidents of all the Federal Reserve Banks transmitting the revised call report forms and the following letter to Mr. Stuart A. Rice, Assistant Director in Charge of the Division of Statistical Standards of the Bureau of the Budget:

"There are enclosed for your files two copies of a draft of form F. R. 105 that we expect to have State member banks use in submitting reports of condition at the forthcoming end-of-year call.

"The proposed form is the same as that used on December 31, 1943 with minor changes made in Schedule B and Schedule E for the purpose of clarification. We understand



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"that the Comptroller of the Currency expects to use a similar form in the forthcoming call.

"Your office assigned Budget Bureau No. 55-ROO4.2 to the form that was used on the December 31, 1943 call, and we plan to use this number on the proposed form."

Memorandum dated October 25, 1944, from Mr. Morrill recommending that the temporary appointment of Mrs. Blanche E. Peacock, as a charwoman in the Secretary's Office, be extended for an indefinite period from October 30, 1944, with no change in her present basic salary at the rate of \$1,200 per annum. The memorandum also recommended that Mrs. Peacock become a member of the Board's retirement system.

Approved unanimously.

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

"In a letter dated July 13, 1944 (S-776) you were advised that certain data with respect to the number and salaries of the employees of the Federal Reserve Banks, which the Board had been requested by the Civil Service Commission to obtain from the Federal Reserve Banks was no longer needed by the Commission and that accordingly such reports might be discontinued.

"The Board has now received a request from the Bureau of Labor Statistics for monthly reports regarding number of employees and total pay rolls of the Federal Reserve Banks. Form F. R. 96 and the pamphlet, 'Instructions Governing the Preparation of Earnings and Expense Reports and Profit and Loss Statements by the Federal Reserve Banks', are being revised so as to provide, effective January 1, 1945, for the inclusion in Items 1 and 2 of Form F.R. 96 all salaries paid by the Federal Reserve Banks, i.e., including salaries paid to cafeteria employees and to building employees assigned to buildings classed as 'Other real estate', Form F.R. 96 will also be amended to show the number of employees as of the last day of the month. Accordingly, beginning

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"with January 1945, it will be possible for the Board to furnish the desired information from reports received from the Federal Reserve Banks and Branches on Form F.R. 96.

"For the months of September to December, 1944, it is requested that the following information, on the same basis as outlined above, be forwarded to the Board as promptly as possible after the end of each month:

	No. of Employees at End of Month (September 1944)	Total Gross Pay Roll for Month (September 1944)
Head Office		
Branch		

"The number of employees should include officers as well as employees. Each part-time employee should be counted as one employee. The total pay roll should include basic salary, overtime, supplemental compensation, if any, and before deductions for retirement, income tax, bond purchases, etc."

Approved unanimously.

Letter to Mr. Fitzgerald Hall, Class B director of the Federal Reserve Bank of Atlanta, reading as follows:

"Referring once more to the question of an annual contribution by the Federal Reserve Bank of Atlanta to the work of the Southern Research Institute, you will recall from our letter of July 28, 1944, that the matter was referred to the System Research Advisory Committee for a report and recommendation. This Committee has recently made the following report:

(1) It is the opinion of the System Research Advisory Committee that the Federal Reserve System should not make contributions to private or public agencies organized to provide industrial technological research facilities to business. The Committee recognizes, however, that this is a matter of policy and of law on which the Committee is not competent to pass and which in the end must be decided by the System authorities.



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"(2) The Committee recommends that the Board of Governors and the Federal Reserve Banks give such industrial technological research institutions all of the assistance in the economic research phases of their work as the System's facilities permit and such public relations assistance as the officials of the Board of Governors and of each Bank may approve for their own organizations.

(3) The Committee recognizes the importance of industrial technological research to the economic development of the nation and of the various regions and is of the opinion that the Federal Government should stand ready to provide or to assist in providing industrial research facilities, particularly for small business, whenever such facilities are not being adequately supplied by private or by other public agencies.

The Committee believes, therefore, that Congress should give consideration to the establishment of adequate facilities to provide industrial technological research or to make available the results of industrial research to business generally and particularly to small business. The method of accomplishing this end could be either through existing agencies, such as the Bureau of Standards in the Department of Commerce and the Bureau of Agricultural and Industrial Chemistry in the Department of Agriculture; or, if necessary, through establishing new ones; through extending grants-in-aid to private or public organizations; or through some combination of these different approaches. In particular, provision should be made in the appropriate department or agency of the Government for the continuance on a permanent basis of activities, such as the advisory referral service, which are now being provided by temporary wartime agencies.

"The Board believes that, as a matter of System policy, approval of the Atlanta Bank proposal would raise many questions and would establish a precedent that might cause

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"serious difficulties in the future. It is therefore in agreement with the Committee's views and recommendations.

"I attach a copy of a report prepared by Mr. E. J. Hopkins, of the Research Department of your Bank, which outlines the various industrial technological research facilities now being provided by the Federal Government."

Approved unanimously.

Thereupon the meeting adjourned.

P. Chester Morrice  
Secretary.

Approved:

Ronald Hanson  
Vice Chairman.