

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Saturday, February 10, 1945, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman  
Mr. Szymczak  
Mr. McKee  
Mr. Draper  
Mr. Evans

Mr. Morrill, Secretary  
Mr. Carpenter, Assistant Secretary  
Mr. Thurston, 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 9, 1945, were approved unanimously.

Memorandum dated February 10, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Mabel M. McCoy be reappointed as a charwoman in that Division on a temporary basis for an indefinite period, with basic salary at the rate of \$1,200 per annum, effective as of the date upon which she enters upon the performance of her duties. The memorandum stated that Mrs. McCoy was a member of the Civil Service Retirement System and, therefore, would not become a member of the Board's retirement system.

Approved unanimously.

Letter to Mr. Rice, Vice President of the Federal Reserve Bank

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of New York, reading as follows:

"In view of the circumstances described in your letter of February 6, 1945, the Board of Governors approves for a further period of six months beginning March 1, 1945, the continuation of Mr. Howard D. Crosse in an 'unassigned' position in conjunction with the executive development program of your Bank."

Approved unanimously.

Letter to Mr. Arthur C. Lueder, Auditor of Public Accounts, Banking Department, State of Illinois, Chicago, Illinois, reading as follows:

"This refers to your letter of January 3, 1945, with respect to certain conditions prescribed by the Board of Governors of the Federal Reserve System and accepted by the South Chicago Savings Bank prior to the exercise of trust powers.

"The first paragraph of section 9 of the Federal Reserve Act authorizes the Board to permit applying State banks to become members of the Federal Reserve System 'subject to the provisions of this Act and to such conditions as it may prescribe pursuant thereto'. Among the conditions accepted by the South Chicago Savings Bank when it became a member of the Federal Reserve System, was one which provided that, 'except with the permission of the Board of Governors of the Federal Reserve System, such bank shall not cause or permit any change to be made in the general character of its business or in the scope of the corporate powers exercised by it at the time of admission to membership.' As the exercise of trust powers amounts to a change in the general character of the bank's business, it was therefore necessary for the bank to get the Board's permission before exercising such powers. The three trust power conditions prescribed by the Board in the case of the South Chicago Savings Bank are standard conditions, prescribed in all cases regardless of whether the laws of a particular State may or may not cover the subject dealt with by the conditions. Acceptance of the

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"trust conditions prior to admission to membership is required if the applying bank is exercising trust powers at the time of its application; and, as in the case of the South Chicago Savings Bank, is required later if a member bank which was not doing a trust business at the time of its admission to membership wishes to expand the scope of its corporate powers to that extent after becoming a member of the Federal Reserve System.

"Acceptance of the trust power conditions, however, does not result in a State bank being governed by the provisions of the National Bank Act. The conditions merely require that the State bank exercise trust powers in conformity with regulations which the Board has prescribed for national banks as being necessary for the proper administration of trusts.

"In connection with the condition relating to common trust funds, your attention is called to the fact that under section 169 of the Internal Revenue Code, such funds are not entitled to tax exemption unless maintained in conformity with the rules and regulations of the Board of Governors pertaining to the collective investment of trust funds by national banks.

"For your information, there is enclosed a copy of the Board's Regulation H, which, on pages 6 and 7, contains the three standard trust power conditions of membership, and on page 15, contains the provision of section 9 authorizing the Board of Governors to prescribe conditions of membership. There is also enclosed a copy of the Board's Regulation F, which, on pages 28-30, contains section 169 of the Internal Revenue Code."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris  
Secretary.

Approved:

W. S. ...  
Chairman.