

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 13, 1945, at 10:30 a.m.

PRESENT: Mr. Eccles, Chairman
Mr. Ransom, Vice 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 12, 1945, were approved unanimously.

Memorandum dated February 12, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting the resignation of Miss Lucy Axelbank, a clerk in that Division, to become effective as of the close of business on February 13, 1945, and recommending that the resignation be accepted as of that date and that appropriate payment be made for her accumulated and accrued annual leave at that time.

The resignation was accepted as recommended.

Letter to the Presidents of all the Federal Reserve Banks

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reading as follows:

"This supplements the Board's letter of September 15, 1943 (S-688), and telegram of January 11, 1945, regarding the certification procedure under the salary stabilization regulations.

"Under the present certification procedure certificates covering adjustments in salaries of employees who are considered as 'exempt' for the purpose of paying overtime under the Fair Labor Standards Act should be addressed to the Commissioner of Internal Revenue, Salary Stabilization Unit; certificates covering adjustments in salaries of so-called 'nonexempt' employees should be addressed to the Wage Stabilization Division of the National War Labor Board.

"The suggestions made in letter S-688 regarding the form of certificate were based largely on discussions with representatives of the War Labor Board and continue to be applicable to certificates addressed to that Board.

"It is suggested that certificates addressed to the Commissioner of Internal Revenue follow the same general form but that they show, in addition, the annual salary as of October 3, 1942 if it was more than \$5,000 and as of October 27, 1942 if it was \$5,000 or less. The salary shown should be the maximum annual salary under the personnel classification plan for positions covered by the plan, and the actual salary paid the individual if the adjustment is in any salary not under the personnel classification plan.

"The Reserve Banks have previously been advised that certification is not required for the 'creation of new positions due to new activities or reorganization of work when the maximum annual salaries for new positions are comparable to existing maximum annual salaries under the personnel classification plan for positions with comparable responsibilities'.

"The above statement continues to be true as to positions coming within the scope of the regulations of the War Labor Board.

"It is true also as to positions coming within the scope of the regulations of the Commissioner of Internal Revenue provided the new position is similar or clearly comparable to an existing position. Certification to the Commissioner of Internal Revenue is required, however, in the case of the establishment of a new position which is not clearly comparable to an existing one. For example,

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"certification would not be required for the establishment of a position as manager of a department if the personnel classification plan already provides for the position of managers of other departments with comparable responsibilities and the proposed salary is within the salary pattern of the bank. On the other hand, certification would be required if in the reorganization and expansion of a research department, for example, positions were provided for economists of higher grade than the existing positions. Also, for example, certification would be required for the appointment of an assistant vice president if the bank had previously not had an officer of that rank.

"The form of certificate supporting salary adjustments is, of course, not applicable to the establishment of new positions. In such cases, it is suggested that the banks certify that the establishment of the position has been found to be necessary and that the certificate include a brief statement as to the reasons why it was necessary to establish the position and a brief statement supporting and justifying the proposed salary.

"In S-688-a, it was requested that an original and five copies of certificates be forwarded to the Board. Under the revised procedure, an original and four copies of certificates addressed to the War Labor Board, and an original and three copies of certificates addressed to the Commissioner of Internal Revenue will be sufficient."

Approved unanimously.

Letter to Mr. Keese, Secretary of the Federal Reserve Bank of Richmond, reading as follows:

"The Board of Governors approves the appointments of Messrs. J. G. Holtzclaw, Walker D. Stuart, Overton D. Dennis, William L. Manning, and John L. Whitehurst as members of the Industrial Advisory Committee for the Fifth Federal Reserve District to serve for terms of one year each, beginning March 1, 1945, in accordance with the action taken by the Board of Directors of the Federal Reserve Bank of Richmond, as reported in your letter of February 10, 1945."

Approved unanimously.

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

"The Board of Governors approves the appointments of Messrs. C. F. Hood, H. P. Ladds, H. R. Neff, D. C. Swander, and W. W. Withington as members of the Industrial Advisory Committee for the Fourth Federal Reserve District to serve for terms of one year each, beginning March 1, 1945, in accordance with the action taken by the Executive Committee of the Board of Directors of the Federal Reserve Bank of Cleveland, as reported in your letter of February 8, 1945."

Approved unanimously.

Letter to the board of directors of the "Potsdam Bank and Trust Company", Potsdam, New York, stating that, subject to conditions of membership numbered 1 to 6 contained in the Board's Regulation H, the Board approves the bank's application for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of New York.

Approved unanimously, together with a letter to Mr. Sproul, President of the Federal Reserve Bank of New York, reading as follows:

"The Board of Governors of the Federal Reserve System approves the application of the 'Potsdam Bank and Trust Company', Potsdam, New York, for membership in the Federal Reserve System, subject to the conditions prescribed in the enclosed letter which you are requested to forward to the Board of Directors of the institution. Two copies of such letter are also enclosed, one of which is for your files and the other of which you are requested to forward to the Superintendent of Banks for the State of New York, for his information.

"Standard condition numbered 6 has been prescribed in order that its provisions may be invoked at any time in the future if necessary, but as in other cases and in accordance with the general authorization previously granted by

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"the Board, you are authorized to waive compliance with the condition until further notice insofar as the condition applies to funds which are given statutory preference in the State of New York.

"In a letter dated January 13, 1945, to the Superintendent of Banks, a copy of which was submitted with the application, the bank stated that the losses as shown in the report of examination for membership had been eliminated. Accordingly, the usual condition of membership requiring elimination of losses has not been prescribed.

"The Board understands that the dissension existing within the management of the bank is having the attention of the bank's board of directors and the supervisory authorities and that constructive steps have already been taken to correct the problem. It is assumed, of course, that you will follow the situation closely until the differences have been satisfactorily resolved."

Letter to the Federal Deposit Insurance Corporation reading as follows:

"Pursuant to the provisions of section 12B of the Federal Reserve Act, as amended, the Board of Governors of the Federal Reserve System hereby certifies that the Bank of Berkeley, Berkeley, California, became a member of the Federal Reserve System on February 10, 1945, and is now a member of the System. The Board of Governors of the Federal Reserve System further hereby certifies that, in connection with the admission of such bank to membership in the Federal Reserve System, consideration was given to the following factors enumerated in subsection (g) of section 12B of the Federal Reserve Act:

1. The financial history and condition of the bank,
2. The adequacy of its capital structure,
3. Its future earnings prospects,
4. The general character of its management,
5. The convenience and needs of the community to be served by the bank, and
6. Whether or not its corporate powers are consistent with the purposes of section 12B of the Federal Reserve Act."

Approved unanimously.

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Letter to Mr. Day, President of the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to our letter of January 13, 1945, enclosing a copy of a letter received by the Board from Mr. R. S. Beasley, Vice President, Beverly Hills National Bank & Trust Company, Beverly Hills, California, dated December 7, 1944, regarding the question whether the maintenance of a special checking account in connection with a real estate loan involves a payment of interest on demand deposits in violation of the Board's Regulation Q. As indicated in our letter, this matter was referred to the Comptroller of the Currency for his comments.

"We are now in receipt of a letter from Mr. C. B. Upham, Deputy Comptroller of the Currency, stating that, on the basis of information obtained by his Office, it is not believed that the transaction here involved constitutes a violation of the Board's Regulation Q. For your information, a copy of Mr. Upham's letter is enclosed.

"In the circumstances, the Board sees no reason to differ with the position taken by the Office of the Comptroller of the Currency. It will be appreciated if you will advise Mr. Beasley of the substance of the above."

Approved unanimously.

Memorandum dated February 8, 1945, from Mr. Smead, Director of the Division of Bank Operations, stating that, in order to have current information on the volume of the various kinds of time deposits of individuals, partnerships, and corporations for use in connection with the studies of ownership of bank deposits, it was recommended (1) that the Board approve a revised time deposit schedule (as indicated on an attached revised copy of form F. R. 105) for use in reports of condition of State member banks at the midyear 1945 call, provided that

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corresponding changes were made in the condition report forms of national banks and insured nonmember banks, respectively, and (2) that the Board authorize any minor changes in phraseology, arrangement, etc., of items in the various schedules on the reverse side of the call report form which might be necessary to provide room for the proposed revised time deposit schedule and were agreed upon in negotiations with the office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The memorandum stated that the proposed change would temporarily restore the breakdown of time deposits of individuals, partnerships, and corporations which was furnished as of June 1942 and at semiannual call dates previously.

Approved unanimously

Thereupon the meeting adjourned.

Chester Morrie
Secretary.

Approved:

W. S. ...

Chairman.