

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, June 25, 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 June 23, 1945, were approved unanimously.

Memorandum dated June 25, 1945, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Dolly C. Wakefield be appointed as a cafeteria helper in that Division on a temporary basis for a period of not to exceed two months, with basic salary at the rate of \$1,200 per annum, effective June 25, 1945. The memorandum stated that Mrs. Wakefield would not become a member of the Board's retirement system during the period of her temporary employment.

Approved unanimously.

Letter to Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, reading as follows:

"In accordance with the requests contained in your

6/25/45

-2-

"Letter of June 20, 1945, the Board approves the appointments of Edward J. Stevens and Thomas H. McGovern, Jr., at present assistant examiners, as examiners for the Federal Reserve Bank of Boston. Please advise us of the dates upon which the appointments become effective and also as to adjustments, if any, in the salary rates."

Approved unanimously.

Letter to Mr. Peterson, Vice President of the Federal Reserve Bank of St. Louis, reading as follows:

"In accordance with the request contained in your letter of June 19, 1945, the Board approves the appointment of C. G. Crause as an examiner for the Federal Reserve Bank of St. Louis. Please advise us of the date upon which the appointment becomes effective."

Approved unanimously.

Letter to the Presidents of all the Federal Reserve Banks, prepared in accordance with an understanding reached at an informal discussion by the members of the Board, and reading as follows:

"It will be recalled that in the early days of the System the Board took the position that 'the good conduct and repute of the Federal Reserve System require that the officers of the Reserve Banks shall give their entire time and attention to the affairs of the Banks and not be identified with any outside business interests'. (Letter of May 7, 1924, X-4048, Loose-Leaf Service #9054.) The same principle was later held to be applicable to department heads and employees occupying responsible positions.

"The question as to the applicability of this policy to teaching commitments has been raised recently in connection with a proposed appointment and it has been urged that there is a definite distinction between the outside business connections contemplated by the above statement and purely educational work. It has, therefore, been suggested that this policy should not be regarded as applying to a case where an officer or a member of the research staff of a Federal Reserve Bank has a teaching connection with a university which is also helpful in enabling him

6/25/45

-3-

"to keep in touch with current developments in his field and in establishing and maintaining relations between the Bank and the university which would be of advantage to the Bank. Similarly, it has been pointed out that some officers of Banks have other teaching connections which are closely related to their regular activities, such as in the case of A.I.B. classes.

"The Board is in agreement that such instances should not be regarded as coming within the scope of the Board's letter X-4048, provided:

1. The teaching engagement is clearly secondary and in keeping with his employment by the Reserve Bank.

2. The teaching engagement does not interfere with the work of the Reserve Bank.

3. The teaching engagement has the prior approval of the Reserve Bank.

"In the review of this policy, other questions have arisen about outside activities of members of the research staffs. Not long ago the Board had occasion to consider the question of the propriety of a member of the research staff receiving substantial pay for preparing for a semi-public agency a study peculiarly in the field of Federal Reserve interests. The Board expressed the opinion that if the study were one that the Bank, as such, should make, it should be done by the Bank without charge to the other agency, except possibly for out-of-pocket expenses, and that an officer or employee of the Bank should not be paid by the other agency for the work. The Board expressed the view that an important principle was involved, namely, that a full-time employee or officer of a Reserve Bank should not receive pay from another source for work being, or which should be, done by the Reserve Bank as part of its public service. It may be added that frequently the person involved would not be called upon to render the outside service if he were not in position to utilize information and material accumulated in the conduct of the affairs of the Bank.

"It should be noted that this policy applies to officers and to full-time regular employees. It may not necessarily apply to individuals engaged as consultants on a fee basis, to those engaged as part-time employees, or to those employed for temporary periods, such as during vacations or for work on specific projects. Such cases should be considered individually by the Reserve Banks in the

6/25/45

-4-

"light of the general principle involved. In this connection, it may be observed that a consultant for special services on a part-time basis should not be an officer of the Bank nor should he be considered as a representative of the Bank, except to such extent as he may be authorized for the specific purpose for which he is engaged.

"In general, it is important in all cases to maintain the fundamental principle that officers and employees of a Federal Reserve Bank should refrain from being placed in any position which might embarrass the Reserve Bank in the conduct of any of its operations or result in questions being raised as to the independence of their judgment or their disinterestedness in the discharge of their official responsibilities, or their ability to perform satisfactorily all the duties of their positions."

Approved unanimously.

Letter to the board of directors of the "Half Dollar Trust and Savings Bank", Wheeling, West Virginia, stating that, subject to conditions of membership numbered 1 to 3 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 Cleveland. The letter also contained the following special comment:

"It is understood that the bank wishes to discontinue its trust department and that the board of directors recently passed a resolution directing the officers to take the necessary steps to dispose of the trusts now being administered. In the circumstances, therefore, the application has been approved on the same basis as if fiduciary powers were not being exercised and attention is invited to the fact that if the bank should desire in the future to exercise such powers, other than to the limited extent necessary in administering the accounts now on its books until the proposed liquidation of the trust department can be completed, it will be

6/25/45

-5-

"necessary under condition of membership numbered 1 to obtain the permission of the Board of Governors before doing so."

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

"The Board of Governors of the Federal Reserve System approves the application of the 'Half Dollar Trust and Savings Bank', Wheeling, West Virginia, 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 Commissioner of Banking for the State of West Virginia, for his information.

"Since the amount of estimated losses shown in the report of examination for membership is relatively small, the usual condition of membership requiring elimination of losses has not been prescribed. It was noted, however, that the bank is to make proper provision for the losses in the normal course of business.

"It is assumed that you will follow the matter of the bank's bringing into conformity with the provisions of law and the Board's regulations the savings accounts listed on page 16 of the report of examination for membership and also the requirements with respect to savings deposit withdrawals. In this connection, the examiner's comments on page 2-1 of the report of examination are not entirely clear and may be confusing to the bank as it is stated that 'the regulation also specifies that at least a 30 days' notice be required of the depositor before a withdrawal of savings deposits', whereas Regulation Q merely provides that the bank reserve the right to require not less than 30 days' notice in writing."

Letter to the board of directors of the "Mazon State Bank", Mazon, Illinois, stating that, subject to conditions of membership numbered 1 to 3 contained in the Board's Regulation H and the following special condition, the Board approves the bank's application for

6/25/45

-6-

membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Chicago:

- "4. Prior to admission to membership, such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$705.25, as shown in the report of examination of such bank as of May 26, 1945, made by an examiner for the Federal Reserve Bank of Chicago."

Approved unanimously, for transmission through the Federal Reserve Bank of Chicago.

Letter to "The Farmers & Citizens Savings Bank Company", Germantown, Ohio, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership.

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

Letter to Mr. Flanders, President of the Federal Reserve Bank of Boston, reading as follows:

"Reference is made to your letter of June 12, 1945, submitting the request of the Norfolk County Trust Company, Brookline, Massachusetts, for permission to establish a branch in Norwood, Massachusetts, in connection with the purchase of the assets, including banking quarters, and assumption of liabilities, of the Norwood Trust Company.

"In accordance with your recommendation, the Board of Governors will interpose no objection to the absorption of the Norwood Trust Company, substantially in accordance with the plan submitted; and the Board approves the establishment and operation of a branch in Norwood, Massachusetts, by the Norfolk County Trust Company, provided prior approval

6/25/45

-7-

"of the appropriate State authorities is obtained and counsel for the Reserve Bank will review all steps taken in effecting the absorption and in establishing the branch and satisfy himself as to the legality thereof."

Approved unanimously.

Letter to Mr. Wiltse, Vice President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to your letter of June 12, 1945, submitting the request of the Manufacturers and Traders Trust Company, Buffalo, New York, for approval of the proposed absorption of The First National Bank of Kenmore, Kenmore, New York, and the establishment of a branch in Kenmore. It is noted that the Superintendent of Banks for the State of New York has approved the agreement for the proposed absorption.

"In accordance with your recommendation, the Board of Governors will interpose no objection to the completion of the absorption substantially in conformity with the agreement as submitted; also the Board approves the establishment and operation of a branch in Kenmore, New York, by the Manufacturers and Traders Trust Company, Buffalo, New York, provided the prior approval of the appropriate State authorities is obtained and counsel for the Reserve Bank will review all the steps taken to effect the purchase of assets and assumption of liabilities and to establish the branch, and satisfy himself as to the legality thereof."

Approved unanimously.

Letter prepared for the signature of Chairman Eccles to Senator Wagner, Chairman of the Senate Committee on Banking and Currency, reading as follows:

"As you know, in order to conserve the time of your Committee in the hearings on the Bretton Woods Agreements, members of the Board, including myself, refrained from testifying on behalf of the enabling legislation which the Board hoped would be enacted by the Congress as promptly

6/25/45

-8-

"as possible. In view of the fact, however, that the President of the Federal Reserve Bank of New York and one of the Vice Presidents of that bank appeared before the Committee as opposing witnesses, I am enclosing a copy of the Board's statement of March 21, 1945, endorsing the Agreements. It would be appreciated if you would place it in the record of the hearings so that there may be no doubt in the official record of the Committee as to the position of the Board, which is an agent of the Congress and the governing body of the Federal Reserve System."

Approved, Mr. McKee not voting.

Letter to Mr. Crowley, Chairman, Federal Deposit Insurance Corporation, Washington, D. C., reading as follows:

"For your information there is enclosed a copy of a statement of the Board of Governors of the Federal Reserve System under date of June 22, 1945, with respect to the absorption of exchange charges.

"It is understood that a copy of this statement is being sent to each National bank by the Comptroller of the Currency under date of June 25, 1945 and to each State member bank by the President of the Federal Reserve Bank of its District on the same date, substantially similar covering letters being used for this purpose."

Approved unanimously.

Memorandum dated June 23, 1945, from Mr. Hooff, Attorney, recommending that there be published in the July 1945 issue of the Federal Reserve Bulletin statements in the form attached to the memorandum with respect to the following subjects:

Reserves of Federal Reserve Banks
Amendments to Federal Reserve Act

Consumer Credit
Disaster Credits

6/25/45

-9-

Alien Property Custodian
Executive Order Defining Duties

Foreign Funds Control
Treasury Department Releases

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved: McAuley
Chairman.