

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, July 17, 1945, at 11:00 a.m.

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

Mr. Carpenter, Secretary  
 Mr. Connell, General Assistant,  
 Office of the Secretary  
 Mr. Thurston, Assistant to the  
 Chairman.

The action stated with respect to each of the matters hereinafter referred to was taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on July 16, 1945, were approved unanimously.

Letter to Mr. J. Rafael Oreamuno, Vice Chairman of the Inter-American Development Commission, Commerce Department Building, reading as follows:

"In the absence of Mr. Eccles, I am answering your letter of July 9.

"I am glad to advise you that this Board has taken favorable action on the request made of us by the Commission in Mr. McClintock's letter of June 25 and that we shall make Mr. Triffin's services available for the purpose of assisting the Guatemalan Government in the proposed reorganization of the monetary and banking system of that country.

"Our experience with previous missions of a similar character to other Latin American countries clearly indicates the desirability of organizing such work in as flexible and informal a manner as possible. Following the practice of the previous missions, our representative would not publish any formal recommendations of his own, but would discuss the problems freely with government officials and others in Guatemala and would then prepare the final projects of legislation in full collaboration with responsible Guatemalan agencies. The legislative projects would thus emerge, not

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"as the work of foreign experts, but as recommendations of Guatemalan officials to their own Congress. This method insures thorough consideration of local needs and problems and promotes a better understanding of the legislation and of its purposes by the officials who, ultimately, will be placed in charge of it. It also has the advantage of enlisting the interest and sympathy of local people, thereby increasing the chances of concrete action on the proposals that may be made.

"With these considerations in mind, we are glad to accept your suggestion that the monetary and banking mission be carried out as a Federal Reserve mission to assist officials of the Guatemalan Government. While the mission would provide this assistance in accordance with our established method of procedure and independent of the work of the other experts, we should be glad to have Mr. Triffin keep in close contact with the members of the Inter-American Development mission, discuss with them problems of common interest, and make available to the Commission the results of his work. The Board is prepared to pay the expenses of its staff members on this mission.

"I might mention that monetary and banking legislation has already been introduced in the Guatemalan Congress by the Government. The monetary bill submitted to Congress follows very closely a legislative draft prepared by Mr. Triffin last December at the request of the Costa Rican Government. The matter is thus one of real urgency. Legislative action may take place before the mission as a whole has had time to complete its recommendations.

"Mr. Triffin is leaving Washington in about two weeks on a similar mission to the Dominican Republic. We hope, however, that he will be able to proceed to Guatemala in the latter part of August. Another member of our staff, Mr. David L. Grove, who has accompanied Mr. Triffin on previous missions to South America, will be designated to assist him in Guatemala.

"Mr. Triffin holds himself at your disposal for the discussion of all other matters relating to the mission.

"The Board appreciates the confidence which your request implies in the usefulness of its work in the Latin American field and will do whatever is in its power to contribute to the success of your undertaking."

Approved unanimously, with the understanding that a copy of the above letter would be sent to Mr. John C. McClintock, Special Advisor of the Inter-American Development Commission.

Memorandum dated July 5, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Mr. Ernest J. Hopkins, an Economic Specialist in the Division of Research and Statistics,

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be retained for an additional period of six months, when his temporary appointment expires at the close of business August 15, 1945, at the present base salary of \$6,020 per annum, plus overtime of \$330.29 per annum, for a 44-hour week. The memorandum stated that Mr. Hopkins is not a member of the Federal Reserve Retirement System and that it is assumed he will continue to be excluded because of the nature of his appointment.

Approved unanimously.

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

"In order to simplify procedure, the Board has decided to eliminate the maximum annual salaries under the personnel classification plans of the Reserve Banks for the position of Assistant Federal Reserve Agent and for the position of Federal Reserve Agent's Representative at the branches.

"Accordingly, the plans will continue to carry the job description of those positions but without reference to maximum annual salaries. Appropriate changes have been made in the Board's copies of the various plans and it is requested that the maximum salaries for such positions be cancelled in your copies of the plan.

"This change is made because the original appointment or designation as Assistant Federal Reserve Agent, Alternate Assistant Federal Reserve Agent, or Federal Reserve Agent's Representative, together with the salary, must be specifically approved by the Board in advance, and under the procedure which has been established for years, no changes should be made without the prior approval of the Board in the salaries of employees holding such positions.

"In those cases where the Assistant Federal Reserve Agents or Federal Reserve Agent's Representatives devote most of their time to other duties, such other duties are taken into consideration in fixing their salaries. For salary stabilization purposes, maximum salaries established for such other positions can be used as a guide and for those employees whose duties have been largely in connection with Federal Reserve Agent's functions, the maximum annual salaries which are now being cancelled can serve as the established pattern."

Approved unanimously.

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

"This is in reply to your letter of July 11, 1945, with reference to the continuation of the payment of salary to Mr. Walter F. Farrar as a clerk in the Discount Department at the rate of \$4,000 per annum, which is \$1,600 in excess of the maximum established under the personnel classification plan for the position he occupies.

"It is noted from your letter that Mr. Flanders would like to discuss this matter with the Board of Governors when he next visits Washington early in September.

"In view of the circumstances and in accordance with your request, the Board of Governors approves the continuation of the payment of salary to Mr. Farrar at the rate of \$4,000 per annum pending the discussion with Mr. Flanders."

Approved unanimously.

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

"The Board of Governors approves the change in the personnel classification plan of the Federal Reserve Bank of New York, involving the establishment of the position of Administrative Assistant in the Research Department, as submitted with your letter of July 10, 1945."

Approved unanimously.

Letter to Mr. Caldwell, Federal Reserve Agent at Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in Mr. Koppang's letter of July 6, 1945, the Board of Governors approves the payment of salary to Mr. William R. Young as Federal Reserve Agent's Representative at the Denver Branch at the rate of \$3,420 per annum, effective July 1, 1945."

Approved unanimously.

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Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"The Board of Governors approves, effective July 1, 1945, the changes in the personnel classification plan of the Federal Reserve Bank of Kansas City and its Branches as submitted with your two letters of July 6, 1945."

Approved unanimously, with the understanding that letters would be sent to the Wage Stabilization Division, National War Labor Board, and to the Salary Stabilization Unit of the Commissioner of Internal Revenue, with respect to the above salary changes at the Bank and its branches.

Letter to Mr. Koppang, First Vice President of the Federal Reserve Bank of Kansas City, reading as follows:

"In accordance with the request contained in your letter of July 6, 1945, the Board of Governors approves, effective July 1, 1945, the payment of salary to Mr. George E. Moran, General Clerk, Accounting Department, at the rate of \$2,880 per annum, which is \$180 in excess of the maximum established under the personnel classification plan for the position to which he is assigned."

Approved unanimously, together with a letter to the Wage Stabilization Division, National War Labor Board, transmitting copies of a certificate of the Federal Reserve Bank of Kansas City, with respect to the above salary change at the Bank.

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

"Reference is made to your letter of June 8, to Mr. Paulger, inquiring whether the Board would be willing to consider the application for membership of The Bank of Leipsic Company, Leipsic, Ohio, a bank which underwent a reorganization involving a deposit waiver in 1932, and under the reorganization plan and subsequent agreements the business of the bank is not conducted and controlled by the board of directors as is contemplated under applicable provisions of State law.

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"It is understood that the terms of the reorganization plan and subsequent agreements provide that, until the waived deposits have been repaid in full, the waiving depositors shall select five of the nine directors of the bank and the stockholders four; that provision was also made for a depositors' committee of nine members and all matters for board consideration must first be presented to a joint meeting of the directors and the depositors' committee. The directors are bound by the decisions reached by majority vote of those present at such joint meetings. Three members of the depositors' committee also attend meetings of the Finance Committee of the bank and participate in the voting.

"You point out that the State Banking Department and the Federal Deposit Insurance Corporation have been cognizant of this situation for many years but have taken no steps to change the method of management and that it would be difficult to obtain new agreements between the bank and the waiving depositors. You state that while the procedure has caused some friction at times in the past, it seems to be working smoothly at the present; and that it has not been detrimental to the best interests of the institution as the assets have improved steadily. The bank is now said to be in excellent asset condition, and your membership admission committee has approved the application feeling that the bank should not be denied membership because of the complications involved. It is understood in this connection that the Board's Legal Division and your Counsel, after consultation, have concluded that the unusual restrictions on the directors' control of the institution does not constitute a legal reason why the bank may not be admitted to membership. In the circumstances, if upon review of the application it were found that the bank was otherwise acceptable for membership, the Board of Governors would not deny the bank membership in the System because of such restrictions."

Approved unanimously.

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

"There is enclosed a copy of a letter from the First Trust and Savings Bank of Pasadena, California, dated July 11, 1945, which the Board received directly

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"from the bank, with further reference to the provisions of membership condition numbered 8, relating to additional investment in bank premises.

"You are authorized to advise the bank that it is considered unnecessary to comment further with respect to the Board's position in this matter, which has been stated fully in previous letters."

Approved unanimously.

Under date of June 29, 1945, the Board received a letter from Mr. Willett, First Vice President of the Federal Reserve Bank of Boston, transmitting an application of The First National Bank of Boston, Boston, Massachusetts, for permission to establish a branch at Rio de Janeiro, Federal District, United States of Brazil, and a recommendation of the Federal Reserve Bank of Boston that the application be approved.

Accordingly, the following order was adopted by the Board:

"ORDER OF THE  
BOARD OF GOVERNORS OF  
THE FEDERAL RESERVE SYSTEM

July 17, 1945

"WHEREAS The First National Bank of Boston, Boston, Massachusetts has made application to the Board of Governors of the Federal Reserve System, pursuant to the provisions of section 25 of the Federal Reserve Act, for permission to establish a branch at Rio de Janeiro, Federal District, United States of Brazil; and

"WHEREAS it appears that the said bank may properly be authorized to establish a branch at Rio de Janeiro, Federal District, United States of Brazil;

"NOW, THEREFORE, IT IS ORDERED that The First National Bank of Boston be and it hereby is authorized to establish a branch at Rio de Janeiro, Federal District, United States of Brazil, upon the condition that unless the branch hereby authorized is actually established and opened for business on or before August 1, 1946, and the Board of Governors of the Federal Reserve System advised in writing that the branch has been so established

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"and opened for business, all rights hereby granted as to such branch shall be deemed to have been abandoned and the authority hereby granted as to it shall automatically terminate; but, if the branch shall have been established and opened for business on or before said date and the Board of Governors of the Federal Reserve System shall have been so advised in writing, the said bank may operate and maintain the same subject to the provisions of section 25 of the Federal Reserve Act."

In connection with the above matter, the following letter to Mr. Willett was approved unanimously:

"Reference is made to your letter of June 29, 1945, transmitting the application of The First National Bank of Boston, Boston, Massachusetts, for permission to establish a branch at Rio de Janeiro, Federal District, United States of Brazil.

"Pursuant to the provisions of section 25 of the Federal Reserve Act, the Board of Governors of the Federal Reserve System has authorized The First National Bank of Boston to establish a branch at Rio de Janeiro upon the condition that the branch be actually established and opened for business on or before August 1, 1946 and the Board advised in writing that the branch has been so established and opened for business.

"There is enclosed a certified copy of the Order adopted by the Board authorizing the establishment of the branch which you will please deliver to the bank. There is also enclosed a copy of the Order for your files.

"It is observed that the bank has set aside \$500,000 as capital for the conduct of the business at the proposed new branch. Please inform the bank that neither Federal law nor the Board's regulations require the segregation of any part of its capital for the conduct of the business of a foreign branch.

"It will be appreciated if you will advise the Board of the date the branch is actually established and opened for business."

A letter to the Comptroller of the Currency in the following form was also unanimously approved:

"There is enclosed herewith for your information and files a copy of an Order of the Board of Governors of the Federal Reserve System authorizing The First National Bank of Boston to establish a branch at Rio de Janeiro, Brazil."

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Letter to Mr. Hill, Vice President of the Federal Reserve Bank of Philadelphia, reading as follows:

"Reference is made to your letter of July 3, 1945, submitting the request of the York Trust Company, York, Pennsylvania, for approval of the establishment of a branch in the Borough of North York, Pennsylvania.

"It is understood that approval of the State Banking Department has been obtained and, in accordance with your recommendation, the Board approves the establishment and operation of a branch in the Borough of North York, Pennsylvania, by the York Trust Company, provided that counsel for the Reserve Bank will review the steps taken to establish the proposed branch and satisfy himself as to the legality thereof."

Approved unanimously.

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

"There is enclosed a copy of a letter dated July 10, 1945, received by the Board from Mr. J. M. Johnson, Director of Defense Transportation, in which he refers to the difficult transportation situation that will exist during the period required for the redeployment of troops to the Pacific theater of war, and states that now, as never before, cooperation is essential to reduce travel to a minimum.

"Mr. Johnson has been informed that so far as the Federal Reserve System is concerned every effort will be made to cooperate in the program for travel curtailment to the fullest possible extent consistent with essential business, and that to that end copies of his letter are being distributed in the Board's organization and sent to all of the Federal Reserve Banks."

Approved unanimously, with the understanding that copies of Mr. Johnson's letter would also be distributed within the Board's organization.

Memorandum dated July 13, 1945, from Mr. Thomas, Director of the Division of Research and Statistics, submitting a voucher for reimbursement for traveling expenses incurred by John O. Bergelin, an Economist in that Division. The memorandum stated that, because of the unavailability

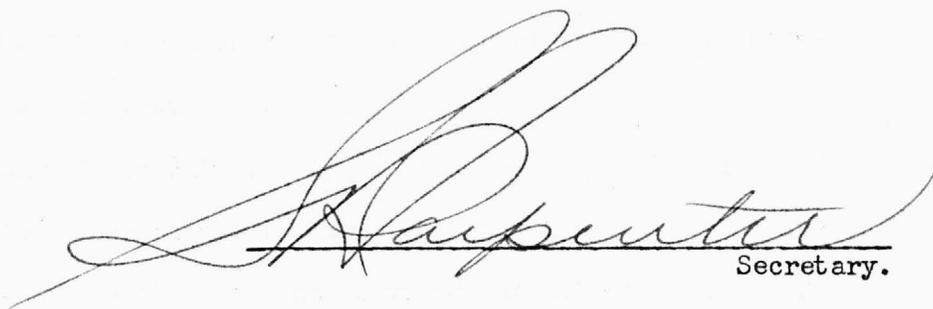
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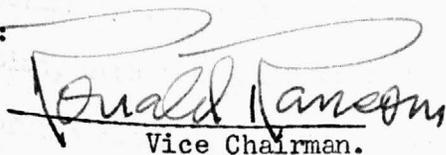
of Pullman accommodations allowed under the Board's travel regulations, it was necessary for Mr. Bergelin to purchase drawing room accommodations from Dallas to St. Louis, and recommended that payment of the voucher, including the additional charge for the drawing room, be approved.

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Vice Chairman.