

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

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

Mr. Carpenter, Secretary
Mr. Connell, General Assistant, Office
of the Secretary
Mr. Morrill, Special Adviser
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 December 7, 1945, were approved unanimously.

Memorandum dated December 6, 1945, from Mr. Bethea, Director of the Division of Administrative Services, submitting the resignation of Miss Jean Gough, a clerk-typist in that Division, and recommending that the resignation be accepted as of the close of business on December 5, 1945, and that proper lump sum payment be made for any accrued annual leave remaining to her credit at that time.

The resignation was
accepted as recommended.

Letter prepared for the signature of Chairman Eccles to
Mr. Hugh Leach, President of the Federal Reserve Bank of Richmond,

12/10/45

reading as follows:

"In my letter of February 16, 1939, you were requested to open an account on your books to be known as 'Board of Governors of the Federal Reserve System--General Fund' and you were authorized to honor checks drawn against such account when signed by the Fiscal Agent or Deputy Fiscal Agent and countersigned by the Secretary of the Board or an Assistant Secretary. This authority was modified by the Board's letter of November 15, 1944, advising you that the Board had established a 'Division of Administrative Services' and that, effective November 16, 1944, Liston P. Bethea and Fred A. Nelson were authorized to countersign such checks in their capacities as Director and Assistant Director, respectively, of the new Division.

"Further changes in existing authorizations are necessitated by the retirement of Oliver E. Foulk as Fiscal Agent at the close of December 31, 1945, and the transfer of his functions to the Board's Division of Administrative Services, effective January 1, 1946. The transfer will be accomplished by consolidating the functions of the Fiscal Agent with those of the Accounting Section of the Division of Administrative Services. The reconstituted section will be known as the Fiscal Section of the Division of Administrative Services and Sampson H. Bass, now serving as Supervisor of the Accounting Section, will be chief of the new section with authority to act as Disbursing Officer and draw checks against the Board's general fund account with your Bank. Also, effective January 1, 1946, Josephine E. Lally, Deputy Fiscal Agent, will be transferred to the Fiscal Section as Deputy Disbursing Officer and be authorized to draw checks on the Board's general fund account with your Bank in her new capacity. Miss Lally's other duties and responsibilities as Deputy Disbursing Officer will be substantially the same as those which she is now discharging as Deputy Fiscal Agent.

"You are, therefore, authorized and requested, beginning January 1, 1946, to honor checks drawn against the Board's 'General Fund' account when signed by Mr. Bass or Miss Lally, as Disbursing Officer and Deputy Disbursing Officer, respectively, and countersigned by Mr. Bethea or Mr. Nelson as Director and Assistant Director, respectively, of the Division of Administrative Services. Specimen signatures of Miss Lally and Messrs. Bass, Nelson and Bethea are set forth below:

Josephine E. Lally
Deputy Disbursing Officer
S. H. Bass
Disbursing Officer

12/10/45

-3-

"F. A. Nelson, Assistant Director
Division of Administrative Services
L. P. Bethea, Director
Division of Administrative Services

"This letter supersedes all existing authorizations with regard to the signature and countersignature of checks drawn on the Board's account, effective January 1, 1946."

Approved unanimously.

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

"The Board of Governors approves the payment of salaries to the following officers for the period January 1, 1946, to April 30, 1946, inclusive, at the rates shown which are the rates fixed by your Board of Directors for the purpose of converting supplemental compensation now received into basic salary, as indicated in your letter of December 3, 1945:

| <u>Name</u> | <u>Title</u> | <u>Annual Salary</u> |
|--------------------------|-------------------|----------------------|
| <u>HEAD OFFICE</u> | | |
| J. B. Anderson | Assistant Cashier | \$5,450 |
| George Emde | Assistant Cashier | 5,950 |
| Paul Stetzelberger | Assistant Cashier | 5,950 |
| <u>CINCINNATI BRANCH</u> | | |
| Salmon Brown | Assistant Cashier | \$6,000 |
| P. J. Geers | Assistant Cashier | 5,950 |
| <u>PITTSBURGH BRANCH</u> | | |
| W. H. Nolte | Assistant Cashier | 5,650 |
| J. A. Schmidt | Assistant Cashier | 6,000 |
| R. J. Steinbrink | Assistant Cashier | 5,850" |

Approved unanimously.

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

"In view of information furnished and recommendation contained in your letter of November 26, Board approves establishment and operation of a branch in Belmont Center in the Town of Belmont, Massachusetts, by Harvard Trust Company, Cambridge, Massachusetts, provided Counsel for the Reserve Bank will review and satisfy himself as to

12/10/45

-4-

"the legality of all steps taken to establish the branch."

Approved unanimously.

Telegram to Mr. Young, President of the Federal Reserve Bank of Chicago, reading as follows:

"Relet fifth. Board extends to January 7, 1946, time within which First Trust and Savings Bank, Galva, Iowa, may accomplish membership."

Approved unanimously.

Letter to Mr. Peyton, President of the Federal Reserve Bank of Minneapolis, reading as follows:

"This refers to your letter of November 26, 1945, in which you state that the addition to the Helena Branch building is expected to cost \$5,000 or more above the architect's estimates originally submitted to the Board.

"In view of the statements made in your letter, the Board will interpose no objection to an expenditure of approximately \$60,000 for construction of an addition to the Helena Branch building, which amount is \$5,000 in excess of that authorized in the Board's telegram of May 9, 1945."

Approved unanimously.

Letter to Fidelity National Bank of Baton Rouge, Baton Rouge, Louisiana, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your supplemental application for fiduciary powers, and, in addition to the authority heretofore granted to act as trustee and registrar of stocks and bonds, grants you authority to act as executor, administrator, guardian of estates, assignee, receiver, committee of estates of lunatics, or in any other fiduciary capacity in which State banks, trust companies or other corporations which come into competition with national banks are permitted to act under the laws of the State of Louisiana, the exercise of all such rights to be subject to the provisions of the Federal Reserve Act and the regulations of the Board of Governors of the Federal Reserve System.

12/10/45

-5-

"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authority, which will be forwarded to you in due course."

Approved unanimously.

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

"For your information and guidance there is enclosed a copy of a memorandum, received from the War Department, dated December 3, 1945, signed by Lieutenant Colonel John S. Bachman, Chief of Advance Payment and Loan Branch, in reply to a letter received from the Federal Reserve Bank of New York reporting that no further recovery can be effected on certain loans guaranteed under the provisions of Regulation V and inquiring about the procedure for transfer of the evidences of indebtedness to the Guarantor."

Approved unanimously.

Letter to Mr. W. D. Gentry, First Vice President of the Federal Reserve Bank of Dallas, reading as follows:

"You are correct in both of the conclusions stated in your letter of November 29, 1945, relating to Amendment No. 19 to Regulation W since (1), the addition to footnote 7 permits renewals or revisions of instalment credit to be made on the basis of the provisions of the Regulation as amended rather than according to the provisions in effect at the time the credit was originally extended, and (2), the addition to Option 2, permitting a maturity of 18 months in certain cases, relates to loans but not to sales.

"However, in connection with the latter, the difference in treatment is more a difference in form than in substance because (a) if the new credit is to be used to purchase a listed article, the 18 months' maturity is not permitted, whether the credit is sale credit or loan credit, and (b), if a listed article is not involved, the 18 months' maturity is permissible under the amendment in case of a loan, and the additional credit is not subject to the Regulation at all in the case of a sale. Accordingly, in the case of a sale of an unlisted article, the payments applicable to the unlisted article may be added at the

12/10/45

"end of the outstanding obligation (in view of the last clause of section 12(b) relating to mixed credits), thus accomplishing in many cases a result similar to that which would be accomplished under the new part of Option 2, if it were applicable. Furthermore, a lender is not in a more favorable position than a seller in a case where the additional credit is small in comparison to the outstanding credit since clause (i) in Option 2 prevents abuses in such cases."

Approved unanimously.

Letter to Commissioner of Internal Revenue, Washington, D. C.,

reading as follows:

"Section 22(b)(5) of the Internal Revenue Code provides that amounts received under Workmen's Compensation Acts as compensation for personal injuries or sickness shall not be included in gross income and shall be exempt from income taxes.

"Certain of the Federal Reserve Banks pay to employees who are absent on account of sickness or injury amounts equal to their regular salary, for specified periods, in accordance with established practices or regulations. When amounts are received under Workmen's Compensation Insurance as compensation for such sickness or injury (as distinguished from amounts paid on account of medical expenses and the like) the employer retains the compensation as reimbursement for compensation advanced to the employee (where, as is usually the case, the compensation received under the insurance is less than the amount which the employer has paid to the employee). It is impossible for the employer to ascertain at the time it makes the payments to the employee, at least in the initial stages of such payments, the amount which will become payable under the compensation insurance.

"It would be appreciated if you would advise us whether in these circumstances the employee should report as his salary the net amount, computed by deducting from the total received from his employer the amount which represented compensation insurance advanced to him by the employer and subsequently retained by the employer when paid by the insurance company."

Approved unanimously.

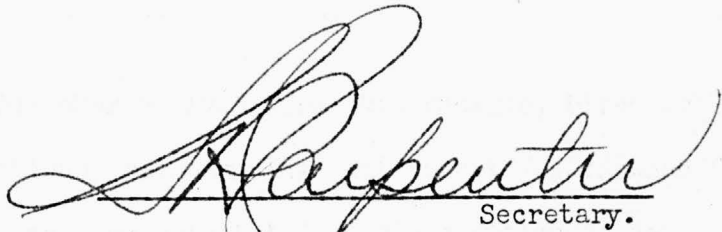
-7-

12/10/45

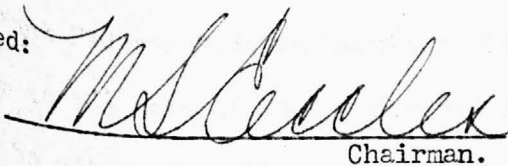
Memorandum dated December 6, 1945, from Mr. Paulger, Director of the Division of Examinations, submitting the expense voucher of W. B. Aker, Assistant Federal Reserve Examiner, in the amount of \$123.10 covering the period November 14 to November 20, 1945, and stating that, during the recent examination of the Federal Reserve Bank of Richmond, Mr. Aker was absent on account of illness for a period of 15 days from November 7 to November 21, 1945, inclusive. The memorandum recommended payment of the voucher which included a per diem allowance, in lieu of subsistence, for the entire period of his illness.

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Chairman.