

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, January 29, 1946, at 10:30 a.m.

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

Mr. Hammond, Assistant 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 meetings of the Board of Governors of the Federal Reserve System held on January 28, 1946, were approved unanimously.

Memorandum dated January 22, 1946, from Mr. Paulger, Director of the Division of Examinations, recommending that Charles T. Malone, who has been on military leave, be reinstated in his position as a Federal Reserve Examiner in that Division, with salary at the rate of \$5,810 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated January 25, 1946, from Mr. Bethea, Director

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of the Division of Administrative Services, recommending that John N. Lyon, who has been on military leave, be reinstated in his position in that Division, with the title of accounting clerk and with basic salary at the rate of \$2,364 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination.

Approved unanimously.

Memorandum dated January 24, 1946, from Mr. Thomas, Director of the Division of Research and Statistics, recommending that Mrs. Shirley M. Socall be appointed as a clerk in that Division on a temporary basis for an indefinite period, with salary at the rate of \$1,902 per annum, effective as of the date upon which she enters upon the performance of her duties after having passed the usual physical examination. The memorandum stated that Mrs. Socall would become a member of the Federal Reserve Retirement System.

Approved unanimously.

Memorandum dated January 24, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that William E. Smoot be appointed as an elevator operator in that Division on a temporary basis for an indefinite period, with salary at the rate of \$1,440 per annum, effective as of the date upon which he enters upon the performance of his duties after having passed the usual physical examination. The memorandum stated that it was assumed that Mr.

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Smoot would become a member of the Board's retirement system.

Approved unanimously.

Memorandum dated January 21, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the basic annual salaries of the following employees in that Division be increased, as indicated below, effective as of the beginning of the next pay roll period following approval by the Board:

<u>Name</u>	<u>Title</u>	<u>Salary Increase</u>	
		<u>From</u>	<u>To</u>
Adela Bocuilis	Pay Roll Clerk	\$2,364	\$2,430
F. Allison Kramer	Accounting Clerk	2,540	2,650
Donald W. Moon	Accounting Clerk	2,100	2,166
Susie T. Oros	Accounting Clerk	2,364	2,430
Charles E. Crowell	Guard	1,800	1,836
Alvin Bissett	Cook	1,740	1,770
Blanche Broadhurst	Cafeteria Helper	1,278	1,704*
Eva Brown	Baker	1,800	1,836
Mary Crawford	Head Cook	1,980	2,034
Dora Harrison	Junior Supervisor	1,920	1,968
Myrtle Henson	Cafeteria Helper	1,740	1,770
Corrie E. Holliday	Cafeteria Helper	1,500	1,506
Pearl Jones	Cook	1,860	1,902
Lyda M. Sanders	Cafeteria Helper	1,680	1,704
Harry Taylor	Cafeteria Helper	1,680	1,704
Winnie Tull	Junior Supervisor	1,800	1,836
Mildred Tydings	Supervisor, Cafeteria	3,200	3,310

\*Six-hour per day basis at present, but is to be placed on a full-time basis -- no increase in basic rate involved.

Approved unanimously, effective  
February 10, 1946.

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

"In view of the circumstances described in your letter of January 23, 1946, the Board of Governors approves

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"for a further period of six months beginning February 9, 1946, the continuation of Mrs. Mary C. Bruce in her assignment as Assistant Chief 'T' in the Domestic Research Division of the Research Department, pending a revision of your personnel classification plan.

"The Board of Governors also approves for a further period of six months beginning February 1, 1946, the continuation of Mr. Charles T. Cushman in an 'unassigned' position in the Personnel Division, Personnel Department, in connection with the rotational and educational program of your Bank.

"The approval of the continuation of the special assignments for Mrs. Bruce and Mr. Cushman is given with the understanding that the salaries paid them while serving in these assignments will not exceed salaries they would be eligible to receive for the positions they occupied at the time they were given the special assignments."

Approved unanimously.

Letter to Mr. Gilbert, President of the Federal Reserve Bank of Dallas, reading as follows:

"The Board of Governors approves the continuation of the arrangement until March 31, 1946, under which Mr. E. B. Stroud is paid at the rate of \$500 per month for legal services to the Federal Reserve Bank of Dallas, which is in accordance with the action taken by the Board of Directors as reported in your letter of January 22, 1946."

Approved unanimously.

Telegram to Mr. Ross Stewart, Partner and General Manager of C. Jim Stewart and Stevenson, Houston, Texas, reading as follows:

"Board of Governors of the Federal Reserve System has appointed you director of the Houston Branch of the Federal Reserve Bank of Dallas for unexpired portion of term ending December 31, 1948, and will be pleased to have your acceptance by collect telegram."

Approved unanimously.

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

"The Board of Governors approves until further notice the payment of fees and allowances to the Directors of the Federal Reserve Bank of San Francisco and its Branches at the rates fixed by the Board of Directors for the year 1946, as reported in your letter of January 19, 1946."

Approved unanimously.

Letter to "The National Manufacturers Bank of Neenah," Neenah, Wisconsin, 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, executor and administrator, grants you authority to act, when not in contravention of State or local law, as guardian of estates and committee of estates of lunatics, 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.

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

Approved unanimously.

Letter to Congressman James G. Fulton reading as follows:

"This is with reference to your letter of January 17, 1946, with which you enclosed a memorandum from Mr. J. O. Cook of 99 Newburn Drive, Mt. Lebanon, Pittsburgh, Pennsylvania, relative to the Board's Regulations T and U.

"As you know, these regulations were issued under the Securities Exchange Act of 1934 for the purpose of preventing an excessive use of credit in the securities markets. At a time like the present, when the supply of cash available for use in the stock market is so very

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"large and the dangers of inflation are so very strong, the use of credit for financing additional purchases or for turning over existing holdings seems to us to be excessive. In consequence, the Board further tightened the regulations on January 21 to put new purchases on a cash basis and to apply the proceeds of any sales of collateral to the liquidation of outstanding obligations.

"We can understand Mr. Cook's feeling that he should be permitted to go on trading in his margin account as he has in the past, but we must weigh the desirability to him of that freedom against the dangers to the whole economy which it seems to us would be present if credit could continue to be so employed.

"As to the particular point Mr. Cook makes about the payment of the income tax, we have had the hypothetical case put to us several times, but no actual cases of difficulty of this kind have arisen. At the present low level of taxation for capital gains on assets held longer than six months, the tax burden is so small that it would appear to be highly unlikely that the taxpayer would have no source, other than his margin account, from which to obtain funds for payment.

"We are enclosing a copy of the statement given by Chairman Eccles to the press at the time of the recent changes. Mr. Cook's memorandum is returned to you herewith."

Approved unanimously.

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

"This refers to your letter of January 10, 1946, with respect to the issuance of a general license by the Treasury Department authorizing the transaction of normal banking business by national banks hereafter authorized to begin business by the Comptroller of the Currency and by State banks hereafter admitted to membership in the Federal Reserve System.

"The Board agrees with your suggestion that each State bank hereafter admitted to membership should be notified that it is operating under this general license

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"and, accordingly, a letter is being addressed to all Federal Reserve Banks recommending that this procedure be followed.

"We have been informally advised by the Comptroller of the Currency that no determination has as yet been made as to notifying newly organized national banks of the general license but we understand that whatever steps are desirable in this connection will be taken by that office at the time of the authorization of such banks to begin business so that it will not be necessary for the Federal Reserve Banks to call the matter to their attention."

Approved unanimously, together with  
a letter to the Presidents of all the Federal Reserve Banks reading as follows:

"As you were advised in the Board's letter of January 3, 1946 (S-888), the Treasury Department has issued a general license which grants all member banks authority to transact normal banking business.

"Following receipt of the Board's letter, two Federal Reserve Banks suggested that it might be well to bring to the attention of each State bank which in the future becomes a member of the Federal Reserve System that it is operating under this general license. The Board is agreeable to this proposal and, accordingly, it is suggested that State banks becoming members of the Federal Reserve System be advised of the terms of this general license or be furnished with a copy thereof."

Letter to the Securities and Exchange Commission, Washington, D. C., reading as follows:

"You have asked for our comments regarding a proposed amendment to Forms T-1 and T-2 under the Trust Indenture Act which would have the effect of defining the terms 'employee', 'appointee', and 'representative' so as to include an attorney or member of a firm of attorneys regularly retained or engaged by the obligor or any underwriter for the obligor.

"In our opinion, it has generally been helpful to banks to have attorneys on their boards of directors, and



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"in the administration of section 32 of the Banking Act of 1933, and of section 8 of the Clayton Act, which make it unlawful for a director, officer or employee of a member bank to serve, respectively, as a director, officer or employee of an organization primarily engaged in underwriting or distributing securities, or as a director, officer or employee of another bank except in certain limited cases, we have interpreted the term 'employee' as not applicable to an attorney except in the unusual case where the attorney is actually an employee of the bank or company involved. We have not regarded the customary relationship of attorney and client as constituting the attorney an 'employee' of the client, this being in accordance with what we had understood to be the generally accepted meaning of the term. Similar reasons and administrative interpretation would lead to defining 'employee', 'appointee' and 'representative' as not including an attorney, or member of a firm of attorneys, who act for an obligor in matters of the kind under consideration.

"As a practical matter, the adoption of the amendment would result in the exclusion of attorneys from the boards of directors of banks having corporate trust departments. While it would not be difficult to ascertain whether there would be a prohibited relationship involving the obligor, it would be very difficult indeed to check the relationship with all the underwriters participating in a large syndicate. In the case of a public bidding where the underwriters are not known until two or three days before the expected effective date of the registration of the issue, it would be nearly impossible to complete the check in time to permit the prompt filing of Forms T-1 and T-2. In addition, it would be necessary to check the relationship with all organizations which have acted as underwriters for the obligor within the past three years. Banks having corporate trust departments would probably not appoint to their boards of directors any attorneys who are members of firms having extensive corporate law practice.

"We hope that these comments will be of use to you in considering the proposed amendments."

Approved unanimously.

Memorandum dated January 29, 1946, from Mr. Hooff, Attorney,



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recommending that, in addition to the material previously submitted, there be published in the February issue of the Federal Reserve Bulletin a statement in the form attached to the memorandum with respect to the following subject:

Veterans' Guaranteed Loans

Approved unanimously.

Thereupon the meeting adjourned.

Bray Hammond  
Assistant Secretary.

Approved:

W. S. Charles  
Chairman.