

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, February 5, 1946, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman  
Mr. Szymczak  
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 February 4, 1946, were approved unanimously.

Memorandum dated February 1, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Benjamin R. Reading, who has been on military leave, be reinstated in his position as guard in that Division, with basic salary at the rate of \$2,100 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.

Letter to Mr. Creighton, Chairman of the Federal Reserve Bank of Boston, reading as follows:

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"The Board is pleased to learn that your Bank has arranged to retain the services of Mr. Ralph E. Flanders in an advisory capacity along the lines you discussed informally with the Board some time ago. The Board approves payment of salary to Mr. Flanders, effective March 1, 1946, as Consultant to the Board of Directors at the rate of \$200 per month, which is the rate fixed by your directors as reported in your letter of January 28, 1946."

Approved unanimously.

Letter to Mr. Neely, Federal Reserve Agent at the Federal Reserve Bank of Atlanta, reading as follows:

"The appointment of Messrs. J. Val Westerhaus and D. J. Ducamus as your representatives at the New Orleans Branch, which is the subject of your letter of January 16 and of the Board's reply of January 28, has been reconsidered in the light of the information furnished by Mr. Clark in his telephone conversation last Friday, February 1.

"With the understanding that Messrs. Westerhaus and Ducamus have nothing whatever to do with currency, as stated by Mr. Clark, the Board of Governors approves their appointments as Federal Reserve Agent's Representatives at the New Orleans Branch.

"This approval is given with the further understanding that Messrs. Westerhaus and Ducamus will be placed upon the Federal Reserve Agent's payroll and will be solely responsible to him or, during a vacancy in the office of the Agent, to the Assistant Federal Reserve Agent, and to the Board of Governors, for the proper performance of their duties. When not engaged in the performance of their duties as Federal Reserve Agent's Representatives they may, with the approval of the Federal Reserve Agent or, in his absence, of the Assistant Federal Reserve Agent, and the Managing Director, perform such work for the Branch as will not be inconsistent with their duties as Federal Reserve Agent's Representatives.

"Since, according to the usual procedure, salaries of members of the Federal Reserve Agent's staff require the specific approval of the Board, and on the assumption that no change in salaries is contemplated in connection with the appointments, the Board of Governors approves the payment of salaries to Messrs. Westerhaus and Ducamus as Federal Reserve Agent's Representatives at the New Orleans Branch at the rates of \$2,820 and \$2,400 per annum, respectively, which are

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"the rates shown in the salary list as of January 1, 1946, enclosed with Mr. McLarin's letter of January 25.

"Messrs. Westerhaus and Ducamus should execute the usual oaths of office which should be forwarded to the Board, together with advice of the effective date of the appointments.

"Since the titles of Vault Custodian and Assistant Vault Custodian might well imply that Messrs. Westerhaus and Ducamus have custody of both cash and securities, it is suggested for your consideration that some change in their regular titles might be advisable."

Approved unanimously.

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

"This refers to your letter of January 25 regarding the penalty of \$14.55 incurred by Holland National Bank, Holland, Indiana, as a result of a deficiency in reserves for the period ended September 15, 1945.

"In the circumstances stated in your letter, the Board authorizes your Bank to waive this penalty."

Approved unanimously.

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

"Relets January 28. In view your recommendation Board approves establishment and operation of two branches as proposed in San Mateo, California, by American Trust Company, San Francisco, California, with understanding that counsel for the Reserve Bank will review and satisfy himself as to legality of all steps taken to establish the branches."

Approved unanimously.

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

"Under present practice and in accordance with the Board's Regulations Relating to Branches of Federal Reserve Banks, an officer in charge of a branch who is a Vice

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"President of the Reserve Bank is not also a member of the board of directors of the branch, although an officer in charge of the branch who is Managing Director is a member of the branch board.

"The inconsistency of this distinction is apparent. Even more inconsistent is the fact that the officer in charge of a branch, if a Managing Director, is a member of the branch board, whereas the President, who is the chief executive officer of the Reserve Bank, is not a director of the Bank.

"Accordingly, the Board has amended its Regulations, effective January 1, 1947, to eliminate the office of Managing Director and to provide that the officer in charge of a branch shall not be a member of the branch board of directors. If the officer in charge is not a Vice President of the Reserve Bank, he will have the title of Manager or such other title not including the word 'Director' as may be fixed by the Reserve Bank. To conform with this amendment, the only changes in the text of the Regulations are the elimination of subsection (c) of section 3, minor modifications in subsections (d) and (e) of section 3 and in subsection (b) of section 4, and a revision of subsection (a) of section 4.

"Enclosed is a copy of the Regulations as revised effective January 1, 1947. Notice of the revision is given this far in advance in order that those Banks which have Managing Directors in charge of their branches may prepare plans for next year."

Approved unanimously. The text of the Regulations relating to the Branches of Federal Reserve Banks as amended effective January 1, 1947, read as follows:

"These regulations, governing the operations of all branches of Federal Reserve banks, are prescribed by the Board of Governors of the Federal Reserve System (hereinafter referred to as the Board of Governors) under authority of the provisions of section 3 of the Federal Reserve Act.

"SECTION 1. NAMES OF BRANCHES AND TERRITORY SERVED

"(a) Names of branches. - Each branch shall include in its title the name of the city in which it is situated and the name of the Federal Reserve bank of which it is a branch, as 'Detroit Branch of the Federal Reserve Bank of Chicago.'

"(b) Branch territory. - No change shall be made by any Federal Reserve bank in the territory included within the

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"district served by any of its branches, except with the approval or upon the direction of the Board of Governors.

"SECTION 2. AUTHORITY AND FUNCTIONS

"No substantial change shall be made by any Federal Reserve bank in the authority of or functions performed by any of its branches, except with the approval or upon the direction of the Board of Governors.

"SECTION 3. DIRECTORS

"(a) Number of directors. - The board of directors of each branch of a Federal Reserve bank shall consist either of seven members or of five members, as may be determined by the Federal Reserve bank, subject to the approval of the Board of Governors. Where the board of directors of the branch consists of seven members, four shall be appointed by the Federal Reserve bank and three by the Board of Governors, and, where the board consists of five members, three shall be appointed by the Federal Reserve bank and two by the Board of Governors.

"(b) Qualifications of directors. - All directors shall be persons of high character and standing who have established reputations and ability to meet their financial obligations. They shall be persons whose business and financial interests are primarily within and representative of the branch territory rather than of interests controlled or owned outside the territory. The directors appointed by the Federal Reserve banks shall be persons who are either well qualified and experienced in banking or actively engaged in commerce, agriculture or some other industrial pursuit. The directors appointed by the Board of Governors shall be persons who are actively engaged in commerce, agriculture, some other industrial pursuit, or the practice of a profession, who are not primarily engaged in banking and preferably are not directors of banks, although they may be stockholders. No director of a Federal Reserve bank shall serve as a director of a branch of the bank during the period of his service as a director of the Federal Reserve bank. All directors shall be citizens of the United States and shall reside within the territory served by the branch, but at least one of the directors appointed by the Federal Reserve bank shall reside outside of the city in which the branch is located.

"(c) Terms of directors. - The term of office of directors shall be three years where the branch board consists of seven members and two years where the branch board consists of five members. In order to make practicable an orderly rotation of branch directorships, the terms of directors shall be so arranged that the term of one director appointed by the

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"Board of Governors shall expire at the end of each year and the term of at least one director appointed by the Federal Reserve bank shall expire at the end of each year.

"(d) Directors with six or more years of continuous service. - No director shall be reappointed as a director if such reappointment is to become effective within a period of two years immediately following six or more years of continuous service at any branch having five directors or within a period of three years immediately following such service at any branch having seven directors.

"(e) Chairman. - The Federal Reserve bank shall provide for the annual designation, in such manner as it may prescribe, of one of the members of the board of directors of each branch appointed by the Board of Governors as the chairman of the board.

"(f) Vacancies. - In the event of a vacancy occurring in the board of directors of a branch of a Federal Reserve bank, the appointment to fill such vacancy shall be made by the body making the original appointment and such appointment shall be for the unexpired term.

"(g) Removal of directors. - As provided in section 3 of the Federal Reserve Act, directors of branches of Federal Reserve banks hold office during the pleasure of the Board of Governors.

"(h) Meetings. - The board of directors of each branch shall meet once a month during at least ten months in each calendar year. A special meeting may be called at any time in accordance with such procedure as the Federal Reserve bank may prescribe.

"(i) Quorum. - A majority of the board of directors of the branch shall constitute a quorum for the transaction of business, but less than a majority may adjourn from time to time until a quorum is in attendance.

"(j) Fees and allowances. - The fees and allowances to be paid to directors of the branch for attendance at meetings of the board of directors of the branch or any committees of the branch shall be fixed by the Federal Reserve bank subject to the approval of the Board of Governors.

"(k) Powers. - The board of directors of the branch shall supervise the operations of the branch subject to the direction and control of the Federal Reserve bank of the district and the regulations of the Board of Governors.

#### "SECTION 4. OFFICERS

"(a) Officer in charge. - The Federal Reserve bank shall designate an officer to be the active manager of the branch and he shall not be a member of the board of directors of the

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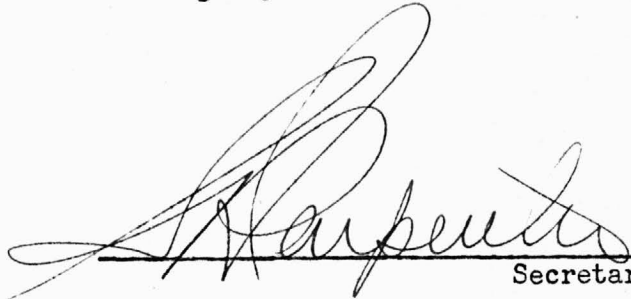
"branch. If the officer in charge is not a Vice President of the Federal Reserve bank he shall have the title of 'Manager' or such other title not including the word 'Director' as may be fixed by the Federal Reserve bank.

"(b) Other officers. - The Federal Reserve bank shall appoint such officers for each branch, in addition to the officer in charge of the branch, as the bank from time to time deems necessary. Such officers shall perform such duties as may be prescribed, with the approval of the Federal Reserve bank, by the board of directors of the branch or by the officer in charge. In accordance with the provisions of the Federal Reserve Act, all officers of a branch shall be subject to removal by the Board of Governors and any compensation provided for officers or employees of any branch shall be subject to the approval of the Board of Governors.

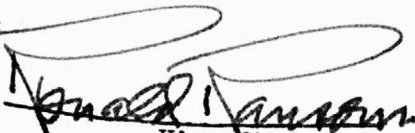
"SECTION 5. SUPPLEMENTAL INSTRUCTIONS

"Each Federal Reserve bank may issue instructions or adopt by-laws, not inconsistent with the law or these regulations, containing such further provisions with regard to the operation of its branches as it may deem advisable."

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Vice Chairman.