

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, March 11, 1946, at 12:00 o'clock noon.

PRESENT: Mr. Eccles, Chairman  
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  
Mr. Vest, General Counsel  
Mr. Townsend, Assistant General Counsel

Mr. Ransom said that this meeting of the Board had been called to consider the course that should be followed in the case of the Peoples Bank of Lakewood Village vs. the members of the Board of Governors, in the event the motion to dismiss the action were overruled, and that he would like to have Mr. Townsend comment on the alternatives that appeared to be available to the Board in this connection.

Mr. Townsend stated that there were two different courses that might be followed by the Board, one of which would be to take the position in the case that the conditions of membership imposed upon a bank applying for membership in the Federal Reserve System were a matter for the exclusive determination of the Board of Governors and that the courts had no right to substitute their judgment for the judgment of the Board. The other alternative, Mr. Townsend said, would be for the Board to give a detailed explanation of the reasons which prompted it

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to prescribe the condition of membership about which the member bank now complains. He added that the first alternative appeared to be the more satisfactory one inasmuch as it would present a clear question of law on which the burden of establishing a case would be on the plaintiff and which, if the decisions of the lower courts were adverse to the Board, could be taken to the Supreme Court in the event that appeared to be the desirable thing to do.

During a discussion of the circumstances which led the Board to prescribe the condition of membership complained of by the Peoples Bank, Mr. Ransom stated that the first alternative as presented by Mr. Townsend appeared to be the most desirable one to follow and that it would be his recommendation that it be approved by the Board, with the understanding that if the decision in the District Court should be adverse consideration would be given to what further action should be taken in connection with the case.

Mr. Ransom's recommendation was approved unanimously.

At this point Messrs. Vest and Townsend withdrew from the meeting and the action stated with respect to each of the matters hereinafter set forth was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 8, 1946, were approved unanimously.

Memorandum dated March 8, 1946, from Mr. Smead, Administrator

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for War Loans, submitting the resignation of Miss Mary Holmes, Clerk in the Office of the Administrator, effective as of the close of business on March 15, 1946, and recommending that the resignation be accepted as of that date and that appropriate payment be made for the accumulated annual leave remaining to her credit at that time.

The resignation was accepted as recommended.

Memorandum dated March 11, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that Mrs. Myrtle Groves and Miss Laretta Brown be appointed to the position of cafeteria helper in that Division, each on a temporary basis for a period of not to exceed two months, with salary at the rate of \$1,440 per annum, effective March 11, 1946. The memorandum stated also that neither Mrs. Groves nor Miss Brown will become members of the Retirement System during their temporary appointment.

Approved unanimously.

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

"This acknowledges receipt of your letter of February 14, 1946, enclosing Mr. McLarin's memorandum relative to matters subject to comment in the recent report of examination of the Federal Reserve Bank of Atlanta.

"The Board is pleased to note the careful consideration which you, your directors and officers of the Bank have given to the several points mentioned in Mr. McLarin's memorandum."

Approved unanimously.

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

"The Board of Governors approves the general program as recommended by the Presidents Conference under which each Federal Reserve Bank would assume two-thirds of the cost of providing hospitalization and surgical benefits through individual, husband and wife, or family membership, as the case may be, in the Blue Cross Association or Associations (or other comparable non-profit organizations) of its District for each of its officers and employees who may wish to avail himself of the privilege.

"The Board is prepared, therefore, to consider such proposals under the above program as the directors of the respective Federal Reserve Banks may approve. In submitting a proposed program, please accompany it with a schedule of the benefits and costs and an estimate of the annual expense to the Bank."

Approved unanimously together with the following letter to Mr. Sproul, President of the Federal Reserve Bank of New York.

"As you have been advised in another letter, the Board has given its general approval to the program recommended by the Presidents Conference with regard to hospitalization and surgical benefits for employees of the Federal Reserve Banks.

"In your letter of November 23, 1945, you reported that the board of directors of your Bank had voted, subject to the approval of the Board of Governors, to approve the assumption by the Bank of two-thirds of the cost of providing individual, husband and wife, or family membership, as the case may be, in the plan for hospitalization and surgical facilities provided by the local Blue Cross Association or equivalent organization for each employee and officer of the Bank who may wish to avail himself of the plan. It was estimated then that the cost to the Bank of this program, based on recent employment figures and existing premium rates, would be in the neighborhood of \$77,500 per annum.

"The Board approves the expenditure under the program as submitted."

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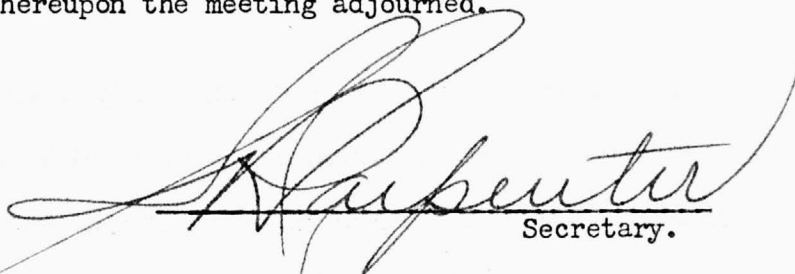
Letter to "The Lubbock National Bank", Lubbock, Texas, reading as follows:

"The Board of Governors of the Federal Reserve System has given consideration to your application for fiduciary powers, and grants you authority to act, when not in contravention of State or local law, as trustee, executor, administrator, guardian of estates, 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 Texas, 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.

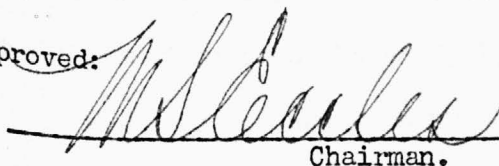
"This letter will be your authority to exercise the fiduciary powers granted by the Board pending the preparation of a formal certificate covering such authorization, which will be forwarded to you in due course."

Approved unanimously.

Thereupon the meeting adjourned.

  
Secretary.

Approved:

  
Chairman.