

3/19/46 A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Tuesday, March 19, 1946, at 3:10 p.m.

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

Mr. Carpenter, Secretary
Mr. Hammond, Assistant Secretary
Mr. Connell, General Assistant,
Office of the Secretary
Mr. Morrill, Special Adviser
Mr. Thurston, Assistant to the Chairman
Mr. Smead, Director of the Division of
Bank Operations
Mr. Vest, General Counsel
Mr. Horbett, Assistant Director of the
Division of Bank Operations

Chairman Eccles stated that Congressman Crawford of Michigan called on him this morning, accompanied by Mr. Howard J. Stoddard, President of the Michigan National Bank of Lansing, Michigan, to discuss the matter of that bank's protest against the application of the amendment to section 2(a) of Regulation D, which became effective August 1, 1945, relating to the reserves required of a member bank with its head office in a nonreserve city and a branch in a reserve city or central reserve city. Mr. Eccles said that Mr. Crawford, who was a director of the national bank, supported the position taken by the bank that the amendment referred to was discriminatory against that institution, and that Mr. Stoddard said that, in the interest of the stockholders of the bank, he did not think he could continue to comply with the

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amendment without first bringing an action to test the Board's authority to prescribe the amendment. Mr. Eccles also said that, in response to a question by Mr. Crawford why Grand Rapids could not be discontinued as a reserve city, he reviewed the consideration that had been given to that possibility and stated that the Board had been giving consideration for sometime to the question of the termination of the reserve city designation of cities in which a Federal Reserve Bank or Branch was not located, that no action had been taken because of the war, but that the Board now proposed again to submit the matter through the Federal Reserve Banks to the banks concerned in order that they might have an opportunity to express their views with respect to the proposal. Mr. Eccles added that he told Messrs. Stoddard and Crawford that a decision on the matter would be made shortly after the views of the member banks were received, that the discontinuance of the reserve city status of the cities where Federal Reserve Banks and Branches were not located would meet the problem confronting the Michigan National Bank, and that a reply to Mr. Stoddard's letter of March 5, 1946, would be sent promptly advising him of the Board's decision to get the views of the member banks affected.

Mr. Thomas joined the meeting at this point.

Before this meeting there were sent to the members of the Board drafts of letters, prepared in accordance with the action taken at the meeting of the Board on March 15, 1946, to Mr. Stoddard and to the

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Presidents of the Federal Reserve Banks of the districts in which reserve cities which would be affected by the proposed action were located (Cleveland, Richmond, Chicago, Minneapolis, Kansas City, Dallas, and San Francisco). The drafts of the letters read as follows:

Letter to Mr. Stoddard

"This refers to your letters of January 15 and March 5, 1946, with reference to the reserves required of your bank under the amendment to Regulation D, Reserves of Member Banks, which became effective August 1, 1945.

"As stated in our letter of January 21, 1946, the Board has been giving special consideration to this matter. It has consulted the Federal Reserve Banks as to the advisability of terminating the reserve city status of certain cities now classified as reserve cities, including the city of Grand Rapids. After carefully considering the views of the Reserve Banks and weighing the various considerations involved, the Board is now asking the Reserve Banks to bring this proposal to the attention of the member banks located in the various cities to which the proposal might apply and to afford them an opportunity to submit their views as to whether or not the designation of their respective cities as reserve cities should be terminated.

"Your bank will undoubtedly receive a communication from the Federal Reserve Bank of Chicago with reference to this matter, and you will observe that the member banks are being requested to offer any views they may care to submit in this connection within thirty days after receiving this advice."

Letter to the Federal Reserve Banks

"The Board has again considered the desirability of discontinuing the reserve city designation of the 24 cities in which no Federal Reserve Bank or branch is located in the light of the replies received from the Federal Reserve Banks to its letter of January 31, 1946.

"As a result, the Board has decided to ask the Federal Reserve Banks in the seven Federal Reserve districts in which the 24 cities are located to bring to the attention of the

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"member banks located in such cities the fact that the Board for some years past has had the matter of terminating reserve city designations under consideration and is now considering the advisability of discontinuing the reserve city designation of the 24 cities mentioned.

"Please advise each such member bank in your district that your bank will be glad to receive any views it may care to submit in writing with reference to this proposal or, if the member bank desires, to grant it an opportunity to present its views in person to the officials of your bank. The Board will appreciate it if each member bank which expresses its views will include in its comments a full statement of the reasons for its position. The member bank should also be advised that any views it wishes to express on this subject should reach your Bank within thirty days from the date of the receipt of your letter.

"In furnishing the Board with the replies received from member banks in your district, or a transcript or summary of views presented in person, it will be appreciated if you will advise the Board whether in your opinion there are any reserve cities located so close to a Federal Reserve Bank or branch, such as St. Paul and Kansas City, Kansas, as to make it desirable for the Board to make exceptions in case it is decided to adopt a general policy of terminating the reserve city status of cities in which there are no Federal Reserve Banks or branches."

Mr. McKee said that, in determining when the letter to the Federal Reserve Banks should be sent, the Board might wish to give consideration to the fact that the Reserve City Bankers' Association would hold its annual meeting in Florida early next month. In a discussion, it was the consensus of the members of the Board that it would be desirable for the letter to go out before the meeting of the Association so that it would have a full opportunity to discuss the proposal.

Thereupon, upon motion by Mr. McKee, the letters to Mr. Stoddard and to the Federal Reserve Banks were approved unanimously

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with the understanding that a copy of Mr. Stoddard's letter of March 5, 1946, and the Board's reply would be sent to President Young of the Federal Reserve Bank of Chicago and that a copy of the letter to the seven Federal Reserve Banks referred to above would be sent to the Presidents of the remaining Federal Reserve Banks for their information.

Mr. Horbett withdrew from the meeting at this point.

Mr. McKee referred to the litigation pending between the depositors and the stockholders of the Canal Bank and Trust Company of New Orleans, Louisiana, which bank was placed in liquidation in 1933 following its failure to obtain a license to reopen at the time of the bank holiday, and stated that the Federal Reserve Bank of Atlanta had been asked for information in its files relating to the decision that the bank should not be licensed to reopen.

Mr. Vest stated that Mr. Clark, Vice President of the Federal Reserve Bank of Atlanta had submitted to interrogatories last week with respect to this matter in which he stated that he had no personal knowledge as to what had happened with respect to the licensing of the member bank, that the Reserve Bank did have certain documents relating to the matter, one of which was a report of examination of the Canal Bank and Trust Company, but that he could not produce it without the prior permission of the Board of Governors, and that the other documents, relating to the functions which the Reserve Bank performed as agent for the Treasury in connection with the licensing of banks,

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could not be made available without the specific consent of the Treasury.

Mr. Vest also stated that a telegram had been received this morning from the attorneys representing the depositors requesting that the Board permit the Federal Reserve Bank of Atlanta to produce a copy of the report of examination of the subject bank and other papers referred to above.

During the discussion which ensued, it was pointed out that it had always been the practice of the Board, as well as that of the Comptroller's Office, not to make available reports of examination in cases of this kind, and Mr. Vest recommended that the Board follow its established procedure in this instance. He then read a draft of telegram to the depositors' attorneys which he suggested be sent after consultation with representatives of the Treasury with respect to the last sentence of the telegram which related to the documents referred to above other than the report of examination.

Upon motion by Mr. McKee, the telegram was approved unanimously, with the understanding (1) that the last sentence was subject to change on the basis of Mr. Vest's conversation with representatives of the Treasury and (2) that a copy of the wire as sent would be sent to the Federal Reserve Bank of Atlanta for its information.

Secretary's Note: In accordance with this action the following wire was sent to the attorneys for the depositors of the Canal Bank and Trust Company, with the understanding that the Treasury would send a separate wire with respect to the papers referred to in the last sentence of the Board's telegram:

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"Your telegram March 18. Since bank examination reports contain information of a highly confidential character, it would not be in accord with the public interest in the judgment of the Board of Governors to make available report of examination of Canal Bank and Trust Company, New Orleans, or copy thereof, for purpose indicated in your telegram, and it is contrary to Board's established policy to consent to furnishing of copies of reports of examination of State member banks of Federal Reserve System in such circumstances. In light of provisions of section 9 of Federal Reserve Act, U.S.C. Title 12, section 326, therefore, Board must decline to comply with your request. It is understood that other documents referred to in your wire relate to duties which Federal Reserve Bank of Atlanta was performing as agent for the Secretary of the Treasury in connection with the licensing of banks and, accordingly, question of production of these other documents is one for consideration by Treasury."

At this point Messrs. Smead, Thomas, Vest, and Hammond withdrew from the meeting.

The action stated with respect to each of the matters herein-after referred to was then taken by the Board:

The minutes of the meeting of the Board of Governors of the Federal Reserve System held on March 18, 1946, were approved unanimously.

Memorandum dated March 13, 1946, from Mr. Bethea, Director of the Division of Administrative Services, recommending that the status of the following employees in that Division be changed from temporary indefinite to permanent, effective as of the beginning of the next pay roll period following approval by the Board:

<u>Name</u>	<u>Position</u>
Mary E. Dorsey	Printing Clerk
Mary V. Carpineti	Stenographer
Virginia Lambert	Stenographer
Floy Arlone Read	Stenographer
Afton Romney	Stenographer

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The memorandum also recommended that the basic annual salary of each 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>
Mary E. Dorsey	Printing Clerk	\$2,320	\$2,430
Mary V. Carpineti	Stenographer	1,968	2,034
Virginia Lambert	Stenographer	1,968	2,100
Margaret L. Wolfe	Stenographer	2,100	2,232
Morris Mayhew	Gardener	2,100	2,166
Arad B. Shipp	Gardener	2,100	2,166
Bricen Barnes	Jr. Mail Clerk	1,740	1,770
Clara Ray Shreve	Charwoman	1,440	1,572
Elizabeth M. Young	Charwoman	1,560	1,572

The recommendations were approved unanimously.

Memorandum dated March 14, 1946, from Mr. Paulger, Director of the Division of Examinations, recommending that, effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination, John F. Clark be appointed on a temporary basis for an indefinite period as an Assistant Federal Reserve Examiner, with basic salary at the rate of \$3,200 per annum, and with official headquarters at Washington, D. C. The memorandum stated that Mr. Clark would become a member of the Board's Retirement System.

By unanimous vote, Mr. John F. Clark was appointed on a temporary basis for an indefinite period as an examiner to examine Federal Reserve Banks, member banks of the Federal Reserve System, and corporations operating under the provisions of Sections 25 and 25(a) of

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the Federal Reserve Act, for all purposes of the Federal Reserve Act and of all other acts of Congress pertaining to examinations made by, for, or under the direction of the Board of Governors of the Federal Reserve System, and was designated as an Assistant Federal Reserve Examiner, with official headquarters at Washington, D. C., and with basic salary at the rate of \$3,200 per annum, all effective as of the date upon which he enters upon the performance of his duties after having passed satisfactorily the usual physical examination.

Memorandum dated March 18, 1946, from Mr. Cagle, Assistant Director of the Division of Examinations, submitting voucher for reimbursement for travel expenses incurred by Carl A. Smith, Assistant Federal Reserve Examiner, while on official business. The memorandum stated that the voucher was being submitted to the Board because, due to housing problems, it was necessary for Mr. Smith to incur telegraphic expense in the amount of \$3.23 in securing hotel accommodations, and recommended that the voucher be approved.

Approved unanimously.

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

"The Board of Governors approves the payment of salary to Mr. Andrew N. Overby as Assistant Vice President of the Federal Reserve Bank of New York, for the period May 1, 1946, to March 31, 1947, inclusive, at the rate of \$10,000 per annum, which is the rate fixed by your Board of Directors as reported in your letter of March 13, 1946."

Approved unanimously.

Telegram to Mr. Powell, First Vice President of the Federal Reserve Bank of Minneapolis, reading as follows:

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"In accordance with program outlined in telephone conversations yesterday Board approves increase of \$180 per annum in salaries of all employees of Federal Reserve Bank of Minneapolis below official rank including increases for 24 employees who, with proposed increase, will be receiving more than 15 per cent in excess of present maximum annual salary. Please advise of action taken under this authority including list of names and increased salaries of 24 employees mentioned."

Approved unanimously.

Letter to The San Benito Bank & Trust Company, San Benito, Texas, reading as follows:

"The Board is glad to learn that you have completed all arrangements for the admission of your bank to membership in the Federal Reserve System and takes pleasure in transmitting herewith a formal certificate of your membership."

"It will be appreciated if you will acknowledge receipt of this certificate."

Approved unanimously.

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

"This refers to your letter of March 11 regarding the expected deficiency in reserves of The Trust Company of New Jersey, Jersey City, New Jersey, for the period ending March 15, 1946, the period immediately following the one in which it became a member."

"In view of the circumstances stated in your letter, the Board authorizes your Bank not to make the assessment, but will appreciate being advised of the amount of the penalty."

Approved unanimously.

Telegram to Mr. Ross, Assistant Cashier of the Federal Reserve Bank of Cleveland, reading as follows:

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"Retel, your assumption is correct that provisions of Board's letter S-902 relate to deficiencies in reserves occurring in periods which end after March 5, the date of that letter."

Approved unanimously.

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

"Referring Board's February 28 letter, please wire, if practicable, estimated number of 1928 series Federal Reserve notes that will have to be piece counted in accordance with instructions contained in Treasury memorandum regarding procedure for destruction of Federal Reserve notes, series 1928, enclosed with above-mentioned letter. It is assumed that any circulated 1928 series Federal Reserve notes in denominations of \$100 or less will not be destroyed but will be used for circulation purposes in the usual manner."

Approved unanimously.

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

"For your information we are sending you a copy of a letter to a Congressman dated March 1, 1946, relative to several questions which he raised concerning Regulation W."

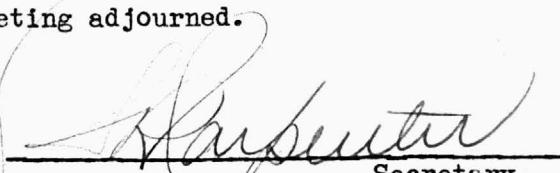
Approved unanimously.

Secretary's Note: This refers to a letter to Congressman Eberharter which appears in the minutes of the meeting of March 1, 1946.

Thereupon the meeting adjourned.

Approved:


Chairman.


Secretary.