

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Wednesday, September 11, 1946, at 10:30 a.m.

PRESENT: Mr. Ransom, Vice Chairman
Mr. Draper
Mr. Vardaman

Mr. Carpenter, Secretary
Mr. Morrill, Special Adviser

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

Memorandum dated September 6, 1946, from Mr. Leonard, Director of the Division of Examinations, recommending that the sick leave of Herbert H. Hagler, Assistant Federal Reserve Examiner in that Division, be extended from September 13, 1946, until the end of the year on full pay, with the understanding that this leave would include the leave accrued, if any, during this period and that as in the past the leave would not be charged in this case to any leave which might accrue after his return to duty. The memorandum also stated that should Mr. Hagler be able to report for duty prior to the expiration of this extended leave he would do so.

Approved unanimously.

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

"Reference is made to Mr. Diercks' letter of August 31, 1946, submitting certified copies of resolutions adopted by the board of directors of the "Bank of Sturgeon Bay", Sturgeon Bay, Wisconsin, signifying its intention to withdraw from membership in the Federal Reserve System and requesting waiver of the six months' notice usually required.

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"In view of your recommendation, the Board of Governors waives the usual requirement of six months' notice, as requested. Accordingly, upon surrender of the Federal Reserve Bank stock issued to the Bank of Sturgeon Bay, the Federal Reserve Bank is authorized to cancel such stock and make appropriate refund thereon. It is noted that the bank requested that its withdrawal be permitted on December 31, 1946. In this connection, attention is called to the fact that under the Board's letter of February 19, 1937 (X-9822; F.R.L.S. #3548), the bank will have four months from the date of this letter to accomplish the termination of its membership if the bank has made application to the Federal Deposit Insurance Corporation for continuation of insurance as a nonmember bank.

"Please advise the Board of Governors when cancellation is effective and refund is made. The Certificate of Membership issued to the bank should also be obtained, if possible, and forwarded to the Board. State banking authorities should be advised promptly when the bank's withdrawal from membership has been effected and given the reasons therefor, if desired."

Approved unanimously.

Letter to the "Polithania State Bank", Pittsburgh, Pennsylvania, 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. Parten, Federal Reserve Agent of the Federal Reserve Bank of Dallas, reading as follows:

"This refers to your letter of August 30, 1946, regarding the possible loss of certain Federal Reserve notes at the San Antonio Branch on July 4, 1946, during

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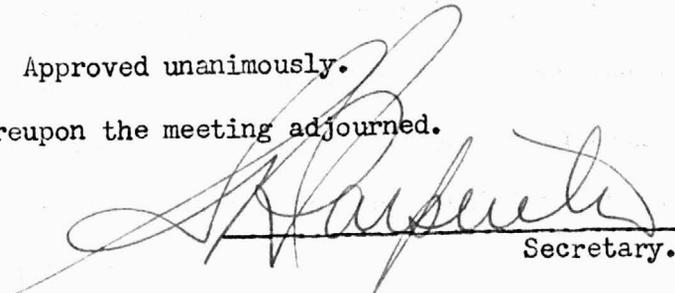
"the course of the destruction of that part of the inactive reserve stock of Federal Reserve notes, Series 1928, held in your joint custody with the Federal Reserve Bank of Dallas.

"It is understood that on the morning of July 4, 1946, the Destruction Committee appointed by the Secretary of the Treasury received from the joint custodians inactive reserve stock of Federal Reserve notes, Series 1928, of the value of \$5,435,000, and that the Committee gave its receipt for that amount; that while destruction was in process it was discovered that some of the notes placed in the incinerator were escaping through the smokestack; that upon suspension of the destruction program notes in the amount of \$64,690 were recovered from the interior of the incinerator, the roof of the Federal Building, and the immediate vicinity; and that the notes so recovered, together with those which had not been placed in the incinerator, were redelivered to the joint custodians at the San Antonio Branch and a receipt given by the custodians to the Destruction Committee for the notes so delivered. Since July 4, 1946, it appears that three of the notes lost in the process of destruction have been recovered without value in the hands of the original finders of the notes and that they have been delivered to the Federal Reserve Bank free of claim and without payment of any sum by your Bank; and that in addition, four \$5 notes which escaped from the incinerator have been found to be in the hands of holders in due course and that the original finders cannot be located.

"Upon consideration of all the circumstances, the Board agrees with the opinion expressed by Counsel for your Bank that you, as Federal Reserve Agent, are subject to no liability in connection with any of these notes that must be honored in the hands of a holder in due course."

Approved unanimously.

Thereupon the meeting adjourned.


Secretary.

Approved:


Vice Chairman.