

# FEDERAL RESERVE BANK OF DALLAS

FISCAL AGENT OF THE UNITED STATES

Dallas, Texas, September 11, 1944

## REGULATION V

**To All Banking Institutions, and Others Concerned,  
in the Eleventh Federal Reserve District:**

There is enclosed a copy of Regulation V of the Board of Governors of the Federal Reserve System revised to carry out certain provisions of the Contract Settlement Act of 1944, relating to the financing of terminated war production contracts. Details of the new termination loan program will be furnished at an early date.

Member banks of the Federal Reserve System are requested to insert the new regulation in their ring binders in lieu of the regulation issued April 6, 1942.

Yours very truly,

**R. R. GILBERT**

**President**



**BOARD OF GOVERNORS  
of the  
FEDERAL RESERVE SYSTEM**

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**FINANCING OF WAR PRODUCTION AND WAR  
CONTRACT TERMINATION**

**REGULATION V**

**As Revised Effective September 11, 1944**



**INQUIRIES REGARDING THIS REGULATION**

**Any inquiry relating to this regulation should be addressed  
to the Federal Reserve Bank or Federal  
Reserve branch bank of the district  
in which the inquiry arises.**

## REGULATION V

Revised Effective September 11, 1944

# FINANCING OF WAR PRODUCTION AND WAR CONTRACT TERMINATION

### SECTION 1. AUTHORITY

This regulation is based upon and issued pursuant to the Executive Order of the President, No. 9112, dated March 26, 1942 (herein called the Executive Order), section 7 of the Act of June 11, 1942, 50 U.S.C. (Appendix) 1107, the Contract Settlement Act of 1944, approved July 1, 1944 (herein called the Settlement Act) and various provisions of the Federal Reserve Act, and has been approved by the Director of Contract Settlement.<sup>1</sup>

### SECTION 2. OBJECTIVE OF THE FEDERAL RESERVE SYSTEM

The objective of the Federal Reserve System in carrying out the purposes of the applicable provisions of the Executive Order and of the Settlement Act is to facilitate and expedite the financing of contractors, subcontractors and others in connection with war production and in connection with claims arising out of the termination of war contracts or operations. The Board of Governors of the Federal Reserve System and the Federal Reserve Banks will cooperate fully in order to achieve this objective. The Federal Reserve Banks have heretofore been designated as fiscal agents of the United States by the Secretary of the Treasury pursuant to the terms of the Executive Order and are authorized by the Settlement Act to act on behalf of the contracting agencies<sup>2</sup> as fiscal agents of the United States in carrying out the purposes of the Act.

### SECTION 3. OPERATIONS OF THE FEDERAL RESERVE BANKS

The operations of the Federal Reserve Banks pursuant to the provisions of the Executive Order and of the Settlement Act will be conducted, under the supervision of the Board of Governors of the Federal Reserve System, in accordance with such instructions as may be issued by the contracting agencies.

### SECTION 4. RATES

Rates of interest, guarantee and commitment fees, and other charges with respect to loans made or guaranteed in whole or in part by any

<sup>1</sup> The Executive Order, section 7 of the Act of June 11, 1942, and pertinent provisions of the Contract Settlement Act of 1944 are printed in the Appendix.

<sup>2</sup> The term "contracting agency" is used herein with the same meaning as that given it in the Contract Settlement Act of 1944.

contracting agency through the agency of any Federal Reserve Bank will from time to time be prescribed, either specifically or by maximum limits or otherwise, by the Board of Governors of the Federal Reserve System with the concurrence of the Director of Contract Settlement.

#### SECTION 5. RESPONSIBILITY AND EXPENSES OF FEDERAL RESERVE BANKS

No Federal Reserve Bank shall have any responsibility or accountability except as agent in taking any action under the Executive Order, the Settlement Act, or this regulation. In any case in which any Federal Reserve Bank shall make or participate in making any loan, discount, advance, guarantee or commitment as agent of any contracting agency under authority of the Executive Order or of the Settlement Act, all such funds as may be necessary to carry out any obligation assumed on behalf of such contracting agency shall be supplied by and disbursed under authority from such agency in accordance with such procedure as it may require. Each Federal Reserve Bank shall be reimbursed by each contracting agency for all expenses and losses (including, but not limited to, attorneys' fees and expenses of litigation) incurred by such Federal Reserve Bank in acting as fiscal agent of the United States on behalf of such contracting agency under or pursuant to the Executive Order or the Settlement Act.

#### SECTION 6. REPORTS

Each Federal Reserve Bank shall make such reports as the Board of Governors of the Federal Reserve System shall require with respect to its operations pursuant to the terms of the Executive Order or the Settlement Act and of this regulation.

### APPENDIX

#### EXECUTIVE ORDER NO. 9112

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#### AUTHORIZING FINANCING CONTRACTS TO FACILITATE THE PROSECUTION OF THE WAR

WHEREAS in order that contracts of the War Department, the Navy Department, and the United States Maritime Commission (hereinafter referred to as Maritime Commission) which are now outstanding or may hereafter be entered into for war production, including the obtaining or conversion of facilities, may be promptly and effectively performed, it is essential that additional facilities be provided through governmental agencies to supply necessary funds to contractors, sub-contractors and others engaged in such war production pursuant to

such contracts;

WHEREAS the War Department, the Navy Department, and the Maritime Commission have available to them amounts appropriated by Congress which may be used for the purpose of making or guaranteeing loans, discounts or advances or commitments in connection therewith for the purpose of financing contractors, subcontractors and others engaged in such production or otherwise to expedite war production;

WHEREAS the guaranteeing or making of such loans, discounts, advances and commitments by the War Department, Navy Department and Maritime Commission will be expedited and facilitated by utilizing in this connection the Federal Reserve Banks and the Board of Governors of the Federal Reserve System, which are agencies of the Government exercising functions in connection with the prosecution of the war effort and which have offices and other facilities, including experienced personnel, located conveniently throughout the country and are in close and frequent contact with banking and other financing institutions; and

WHEREAS the guaranteeing or making of such loans, discounts, advances and commitments will greatly facilitate the participation of small business enterprises in war production;

Now, THEREFORE, by virtue of the authority vested in me by the various provisions of the First War Powers Act, 1941, approved December 18, 1941, by all other Acts of Congress and by the Constitution of the United States, and as President of the United States and Commander-in-Chief of the Army and Navy of the United States, and deeming that such action will facilitate the prosecution of the war, I do hereby order as follows:

(1) The War Department, Navy Department and the Maritime Commission are hereby respectively authorized, without regard to the provisions of law relating to the making, performance, amendment or modification of contracts, (a) to enter into contracts with any Federal Reserve Bank, the Reconstruction Finance Corporation, or with any other financing institution guaranteeing such Reserve Bank, Reconstruction Finance Corporation, or other financing institution against loss of principal or interest on loans, discounts or advances, or on commitments in connection therewith, which may be made by such Reserve Bank, Reconstruction Finance Corporation, or other financing institution for the purpose of financing any contractor, subcontractor or others engaged in any business or operation which is deemed by the War Department, Navy Department or Maritime Commission to be necessary, appropriate or convenient for the prosecution of the war,

and to pay out funds in accordance with the terms of any such contract so entered into; and (b) to enter into contracts to make, or to participate with any Federal Reserve Bank, the Reconstruction Finance Corporation, or other financing institution in making loans, discounts or advances, or commitments in connection therewith, for the purpose of financing any contractor, subcontractor or others engaged in any business or operation which is deemed by the War Department, Navy Department or Maritime Commission to be necessary, appropriate or convenient for the prosecution of the war, and to pay out funds in accordance with the terms of any such contract so entered into.

(2) The authority above conferred may be exercised by the Secretary of War, the Secretary of the Navy or the Maritime Commission respectively or may also be exercised, in their discretion and by their direction respectively, through any other officer or officers or civilian officials of the War or Navy Departments or the Maritime Commission. The Secretary of War, the Secretary of the Navy, and the Maritime Commission may confer upon any officer or officers in their respective departments or civilian officials thereof the power to make further delegations of such powers within the War and Navy Departments and the Maritime Commission.

(3) Any Federal Reserve Bank or any officer thereof may be utilized, and is hereby authorized to act, as agent of the War Department, the Navy Department, or the Maritime Commission, respectively, in carrying out any of the provisions of this executive order, and the Secretary of the Treasury is hereby directed to designate each Federal Reserve Bank to act as fiscal agent of the United States pursuant to the provisions of section 15 of the Federal Reserve Act in carrying out any authority granted to it by or pursuant to this executive order. In any case in which any Federal Reserve Bank shall make or participate in making any loan, discount or advance or commitment as agent of the War Department, Navy Department or Maritime Commission under authority of this order, all such funds as may be necessary therefor shall be supplied and disbursed by or under authority from the War Department, Navy Department or Maritime Commission in accordance with such procedure as they may respectively require. Any amounts now or hereafter available under any appropriation act to the War Department, the Navy Department, or the Maritime Commission for the purpose of procuring materials, equipment or supplies, or of expediting production thereof, may be expended through the agency of the respective Federal Reserve Banks in accordance with the provisions of this executive order. In taking any action under any designation or authority given by or pursuant to this paragraph no

Federal Reserve Bank shall have any responsibility or accountability except as agent of the War Department, Navy Department, or Maritime Commission, as the case may be.

(4) All actions and operations of any Federal Reserve Bank under authority of or pursuant to the terms of this executive order shall be subject to the supervision of the Board of Governors of the Federal Reserve System and to such directions and conditions as the Board of Governors of the Federal Reserve System may prescribe, by regulation or otherwise, after consultation with the Secretary of War, the Secretary of the Navy, or the Maritime Commission, or their authorized representatives.

(5) The War Department, the Navy Department and the Maritime Commission shall make reports of all contracts entered into by them respectively pursuant to the terms of this executive order, in accordance with the provisions of paragraph 1 of the regulations prescribed in Title II of Executive Order No. 9001 dated December 27, 1941.

(6) Interest, fees and other charges derived by the War Department, Navy Department and Maritime Commission, respectively, from operations pursuant to the terms of this executive order may be held by the Federal Reserve Banks and shall first be used for the purpose of meeting expenses and losses (including but not limited to attorneys' fees and expenses of litigation) incurred by the Federal Reserve Banks in acting as agents under or pursuant to the provisions of this executive order; and to the extent that the amount of such interest, fees or other charges is insufficient for this purpose the Federal Reserve Banks shall be reimbursed for such expenses and losses by the War Department, the Navy Department or the Maritime Commission, as the case may be.

The White House,  
March 26, 1942.

FRANKLIN D. ROOSEVELT

ACT OF JUNE 11, 1942

(Pub. No. 603, 77th Cong.)

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SEC. 7. The War Department, the Navy Department, and the Maritime Commission are hereby authorized to make or participate in loans, guaranties, and commitments in accordance with Executive Order Numbered 9112 of March 26, 1942, and to participate in or to guarantee any loans made pursuant to this Act with a view to increasing the production of war materials, supplies, or equipment; and in connection therewith they may use any funds heretofore or hereafter made available to them for purposes of procuring war materials, supplies, and equipment, or of expediting the production thereof.



## CONTRACT SETTLEMENT ACT OF 1944

(Pub. No. 395, 78th Cong., Approved July 1, 1944)

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## INTERIM FINANCING

SEC. 8. (a) It is the policy of the Government, and it shall be the responsibility of the contracting agencies and the Director, in accordance with and subject to the provisions of this Act, to provide war contractors having any termination claim or claims, pending their settlement, with adequate interim financing, within thirty days after proper application therefor.

(b) Each contracting agency shall, to the greatest extent it deems practicable, make available interim financing through loans and discounts, and commitments and guaranties in connection therewith, in contemplation of or related to termination of war contracts.

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SEC. 10. (a) Any contracting agency is authorized—

(1) to enter into contracts with any Federal Reserve bank, or other public or private financing institution, guaranteeing such financing institution against loss of principal or interest on loans, discounts, or advances or on commitments in connection therewith, which such financing institution may make to any war contractor or to any person who is or has been engaged in performing any operation deemed by such contracting agency to be connected with or related to war production, for the purpose of financing such war contractor or other person in connection with or in contemplation of the termination of one or more such war contracts or operations; and

(2) to make, enter into contracts to make, or to participate with any Government agency, any Federal Reserve bank or public or private financing institution in making loans, discounts, or advances, or commitments in connection therewith, for the purpose of financing any such war contractor or other person in connection with or in contemplation of the termination of such war contracts or operations.

(b) Any such loan, discount, advance, guaranty, or commitment in connection therewith may be secured by assignment of, or covenants to assign, some or all of the rights of such war contractor or other person in connection with the termination of such war contracts or operations, or in such other manner as the contracting agency may prescribe.

(c) Subject to such regulations as the Board of Governors of the Federal Reserve System may prescribe with the approval of the Director, any Federal Reserve bank is authorized to act, on behalf of the contracting agencies, as fiscal agent of the United States in carrying out the purposes of this Act.

(d) This section shall not limit or affect any authority of any contracting agency, under any other statute, to make loans, discounts, or advances, or commitments in connection therewith or guaranties thereof.